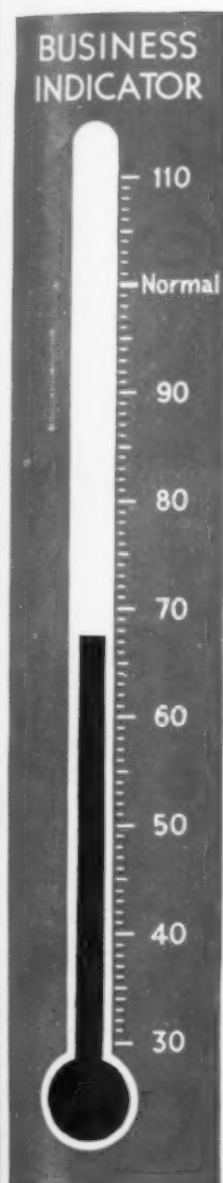


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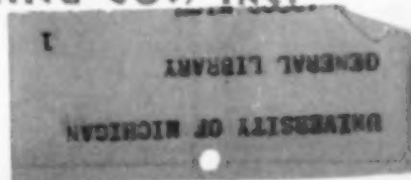
BUSINESS WEEK

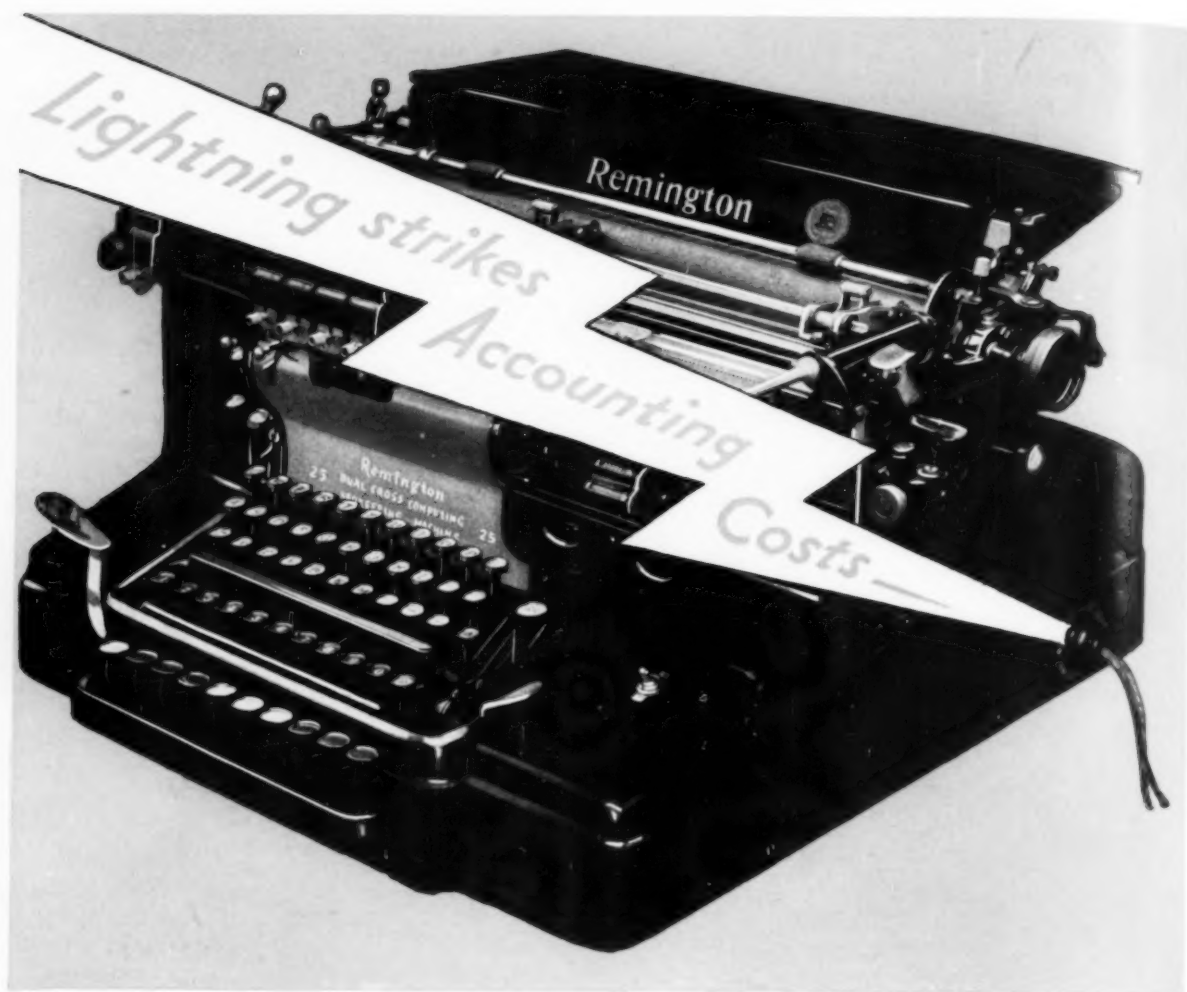


Broad measures of general business volume are being distorted by abnormal banking conditions and by the steady narrowing down of trade to local activity which is not included in the national indicators The decline in check payments, which brings our index to a new low level this week, reflects in large part the return of business to a cash currency basis in many localities The slackness in carloadings likewise is a symptom of the increased relative importance, in such periods, of short-haul, quick-shipment, small order trade which shifts traffic to trucks and may be intensified by rate increases The consumer necessity industries, catering to immediate short-range requirements, continue encouragingly active, but the big basic construction and equipment industries still show no sign of stimulation by obsolescence or investment expansion, and probably none is to be expected in the next two months Wheat, cotton, and a few other commodities have reacted strongly from bottom price levels as the speculative possibilities on the short-side have become exhausted, foreign demand improved, and the expectation of an inflationary session of Congress is discounted in advance The securities markets have so far been able to extract little nourishment from the Hoover-Laval conversations and the British elections and need further stimulation of encouraging news or official action to emerge from the soggy swamp of slow liquidation in which they linger These events, however, are of long-range importance as they indicate a decisive turn toward intensified national effort and individual initiative in Europe, which should give the cue to policy in this country.

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What's In This Issue —And Why

Hoover-Laval

M. LAVAL's Washington weekend, if a gesture, was a good one; certainly, there must have been more in it than appeared in the official statements. But those who should know feel that no great economic move could be expected, considering the past and personality of France and her Premier. (page 5)

Time Payment Paper

FINANCE companies want their notes made eligible for rediscount, which is in line with the necessity of inflation; moreover, this is the only thing the Federal Reserve could do without Congressional permission. But the Reserve has its reasons for not acceding. (page 6)

Railroads

APPARENTLY, the I.C.C. believes in the importance of the whole, rather than the welfare of its parts; with this in mind, there is real doubt that it will agree to the efforts of the roads to make a loan plan of the profit pool. (page 9)

Verboten

GERMANY, faced with wasteful rail-truck competition, minced no decisions, simply stepped in and stopped it. By an emergency decree, truck traffic is limited and licensed for the benefit of the State Railways. (page 10)

Relief

MANY are the plans worked out to keep the wolf out of the kitchen this winter; community canning increases as local surpluses are opened up; notably practical is a movement to sell home improvement through local electricians. (page 22)

Banking

BANK OF CALIFORNIA's new head says, "Banking is no mystery. The banker simply must be

prepared to pay his depositors. The bank can get plenty of good loans any time." Armed with this philosophy, Mr. Talley of Texas finds hard times just solid stepping stones. (page 25)

Anti-Trust

BUSINESS seems generally agreed that something must be done about the anti-trust laws. Just what is still a matter of individual industrial opinion, but most want a relaxation which will permit some experimentation toward production control and price stabilization. (page 31)

British Elections

CONSERVATIVES at heart, the British surprised the world only by the overwhelming majority of their vote for safety first. Returned to power, the Nationalists—led by MacDonald, but dominated by Baldwin—will probably proceed with their program of economy within and protective tariffs without. (page 38)

Food

WITH cotton and tobacco where they are, the South may quit its money crops to grow its own food—which would eliminate an important customer of the North. (page 41)

KROGER, led by its lawyer-president, is stealing the thunder of the independent by adding quality and service to the chain's low-price appeal. (page 44)

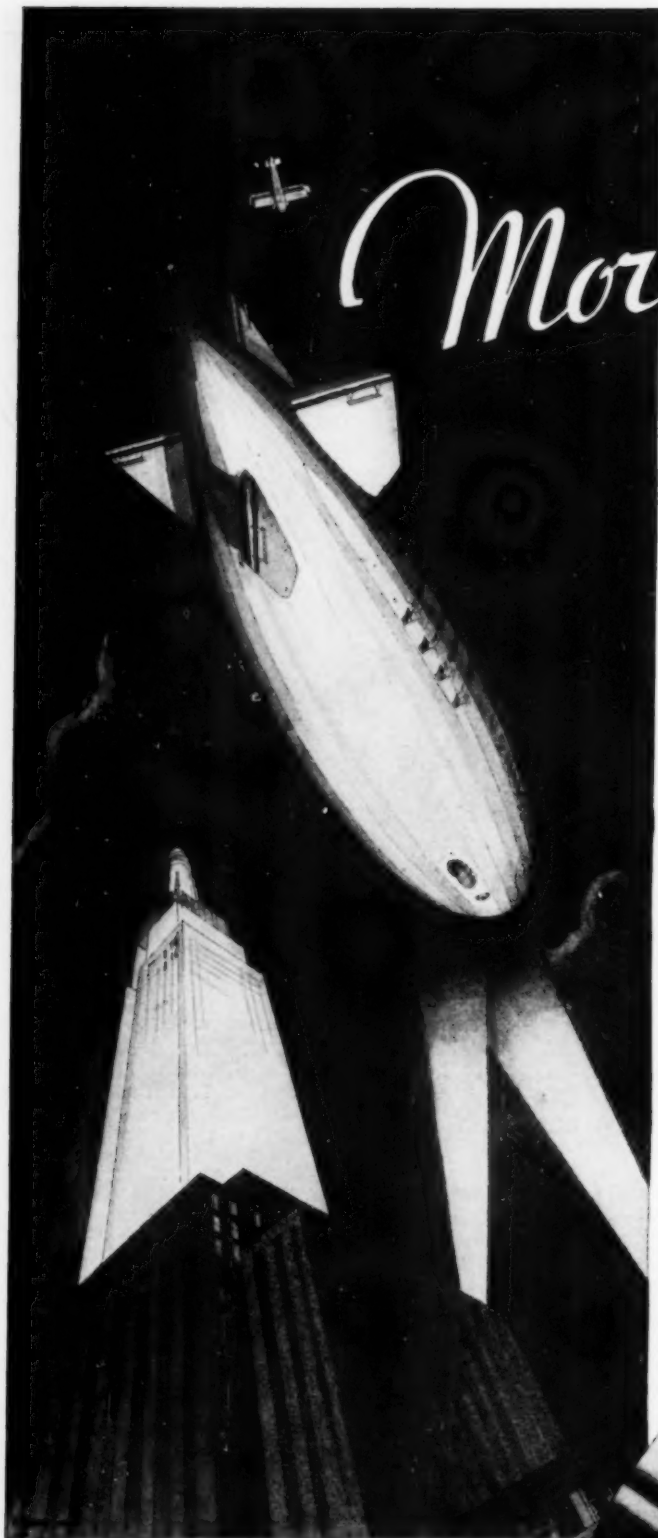
SURPLUS, and the slump in prices last June, stimulated the use of butter; now, prices are rising but consumption continues high. Producers (and importers!) are happy. (page 47)

Automobiles

DEALERS are again up in arms, charge they lose while makers profit, ask drastic changes in the whole system of distribution, insist protected territories, safeguarded contracts are necessary to save the merchandising structure. (page 48)

The Sherman Hour

THE radio anti-trust suit program, interrupted for what sounded like patent pool signals from RCA, is on the air again. (page 56)



Each of the eight 12-cylinder Maybach motors on the new U. S. S. Akron is equipped with 103 SKF Anti-Friction Bearings. Even the portable mooring mast has SKF Bearings in the spindle that lets the great ship swing with the wind.

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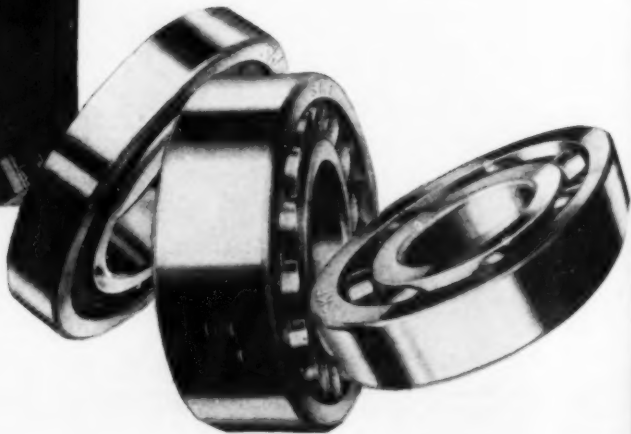
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NOVEMBER

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending October 31, 1931

Hoover-Laval Conversations Committed No Indiscretions

It was helpful to talk things over,
but nothing could be decided

Last week, in business, was one of Franco-American speculation, conjecture, hard thinking. Washington released many statements. So did Paris. Not a sentence "committed" the United States or France. Messrs. Laval and Hoover, so far as the world knows, talked a great deal—but only in generalities.

Those in the know throughout the world, however, believe they must have talked on many topics not reported. New York's little group of 16 important resident Frenchmen had definite views on the limitations of these talks, but not one of them would allow himself to be quoted, even to any of the other 15.

Who Asked Whom?

(1) From the French point of view, the Laval mission got off to a bad start before public opinion—popular, political, or business. It was not, and is not, clear over in France who did the inviting and who did the accepting. Rumor, plentiful in Paris, ascribed it to a polite misunderstanding, based on pleasant dinner talks, that happened to get seized upon and boosted by newspaper correspondents. M. Laval's visit to Berlin was excusable because it was the return of a visit. Also he was accompanied by M. Briand, France's traveller. Hence the country, parliament, and the business community were puzzled over the Washington trip and the least bit cold, if not hostile.

Briand Stayed Home

(2) When M. Laval did decide to sail, he had to decide what to do. Traditionally, he consulted the Quai d'Orsay, which is at present M. Briand. This statesman saw no reason for committing himself because he saw no foreign policy aspect in the present emergency. So he stayed at home, to leave soon and hurriedly, as French bankers so disrespectfully put it, again to play his violin

before the savage breasts of Geneva, torn by the din of Oriental discord.

Further, there were no Foreign Office men on the Laval mission. The mission, then, could represent no departure from the traditional French foreign policy, could undertake no transactions about that policy, could merely, for the sake of manners and to complete the conversation, reiterate principles that are already ancient.

Who Is This Man?

(3) Aside from the elimination of foreign policy as a subject of negotiation, the mission was again limited in its powers of solving any fundamental economic policy by the personality and political position of M. Laval. He is not, and has never been, an economic statesman. In origin he was a *Jaurès* Socialist doctrinaire who, in his righteous conscience, voted against the Treaty of Versailles because he thought it was unjust to Germany. He is now a graduate "Socialist" Senator who stands halfway between the eminent Herriot, of the middling Liberal Left, and the equally eminent Tardieu, of the Nationalist "Imperialist" or "Militarist" Right.

Laval is not yet an eminent person; his following is small, his parliamentary prestige extremely limited; he is not sufficiently famous to be either popular or unpopular; he is reputed to be modest or at least not positively ambitious. The impression that his mission made in America was not momentous, then, because he is no Poincaré, no Clemenceau, nor even Caillaux.

Technicians All

(4) The 7 men with him on the *Ile de France* and the two advance agents that preceded him on the faster German vessel, were selected, again according to tradition, by the Ministry of Finance and the Bank of France. They are all experts, and not one of them is

an eminent man or a known man. That does not mean that they are not more skilful or more intelligent than the most eminent men in France. They are simply men who passed prodigious examinations after their Doctorates to get jobs as Inspectors of Finances and who have risen through cruel competition in technical proficiency.

Now these men and not a few others know, in their science, three facts:

(a) France's financial position is not nearly so strong as it looks, especially as it looks to the French. The Americans haven't worried about it, and won't. The British know all about it, as becomes bankers.

There is inflation of currency; there are banks in trouble; people are beginning to hoard again. It is not at present possible to sell any large foreign loans because of the world scare and the grip it has taken on the cautious French. France is in no position to dictate to anybody, gold or no gold in the cellar.

No Trading Possible

(b) France could not achieve any real result by endeavoring to "trade" at New York or at Washington. If the French want to withdraw their loaned funds in America they may, and America won't miss them. If she wants to take back her ear-marked or other gold to France, the Yankees will sing to her that old song. Any attempt to pry an advantage for France out of the momentary economic weakness of America will react upon France and make her weaker instead. The notion that this is a grand chance to come out on top at somebody else's expense is just another popular notion, like the French fear about the dollar. Such a direction of policy merely wastes time, delays the eventual solution, embitters friends into partisans.

French Limitations

(c) No grand scale economic leadership for a distressed world can conceivably come out of France. Her last experiments in that order of ideas were in connection with the French Revolution. It is no longer her rôle to lead the world in doctrine or to go to the aid of the world. She has no longer the proper generosity of temperament for it. She is a strong but small nation, operated on a careful basis. Such expansiveness is found in England and in

America, and on a smaller scale in countries like Holland and Switzerland.

France, for better or for worse, has security on the brain, just as Switzerland has neutrality on the brain. She cannot be counted upon to go disinterestedly, or even interestedly, to the economic relief of other nations. She will buy armies but she will not aid peoples. She is not charitable by nature, she does not see that it is to her interest to look out for other people, and her precious "security" idea costs her so dear that there is nothing left over.

Not a Business Country

Furthermore, France does not and has not produced any economic geniuses. Her geniuses, if they are such, are financial, technical, fiscal, semi-political.

Economic leaders are necessarily business men. France has no business men of any world size. She is not a great business country anyway. Her folk are peasants, hoarders, lenders who are managed with great difficulty. It is the economic poverty of France that produces the surplus for lending abroad, that produced, in fact, the vaunted store of gold.

What, then, did the mission accomplish? Frenchmen say "Nothing." *Paris Figaro* says: "No commitments have been taken. Laval and Hoover have talked, but there has been no agreement on security or on disarmament. As to reparations, they have made reservations. They talked also about monetary stability and recognized that the maintenance of the gold standard is necessary. That is all. It is little."

A Prophecy Fulfilled

On the day that M. Laval sailed from France, the wittiest of the Frenchmen wrote out what might be expected in the inevitable communiqué. As the *Ile de France* steamed away from America, he smiled as he mused over it, a neat and much briefer statement which says as much as did the official document:

"The President and M. Laval have gone over the various questions confronting France and the United States. The conversations have been extremely illuminating and it has been of great advantage on both sides to exchange points of view and to explore the possibilities of helpful service in the present world emergency. Both the President and M. Laval are convinced that continued cooperation between France and the United States will be of the greatest value, and it is confidently expected that constructive measures will grow out of the conversations so happily conducted."



DIPLOMACY—Premier Laval (left) comes over to see for himself, and welcomed to American shores by Secretary of State Stimson (center) and Ambassador Claudel of France; the Franco-American "conversation" begins with the traditional comments on the Manhattan skyline as the party drives up Broadway for the traditional City Hall reception

Instalment Companies' Petition Suggests Inflation Opportunity

But banks are cool to eligibility bid and there are many obstacles to overcome

THE prompt attempt of the instalment selling business to have its paper made eligible for rediscount at the Federal Reserve Banks marks the first definite move to widen entry into the Federal Reserve system following President Hoover's suggestion that this be done. It also bears importantly on the urgent matter of starting some inflation to break the vicious circle of deflation, if and when the Reserve Banks are willing.

Inflation means putting more money or credit into active use in order to raise prices and thus stimulate business. The question is what method shall be used. Here the matter of widening Federal Reserve eligibility provisions assumes great national importance.

An increase in credit is much more desirable than an increase in currency, because more of it can rest on a given

credit base. The only source of additional credit is the Federal Reserve Banks—unless gold is to come in from abroad, which is both unlikely and undesirable.

Federal Reserve credit may be supplied through Reserve purchase of government bonds or bankers' acceptances or through member bank borrowing. The obvious move is the purchase of government securities, but this, due to a complication, cannot be done.

The complication is currency. The Reserve banks are responsible for the issuance of that portion of currency which can be increased or decreased in volume according to the demand. These notes must be backed by at least 40% of the value in gold; the balance of the backing may be eligible commercial paper.

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International News

—AND DOLLARS—Unobtrusive, but very much in the picture: Albert H. Wiggin, chairman of the Chase Bank, home from Geneva, rides with the welcoming party

In recent months Reserve notes have been backed dollar for dollar by gold due to the abundance of gold in this country, and the small amount of eligible paper in the Reserve banks.

Then came the rise in currency demand for hoarding, and simultaneously more than \$700 millions of gold has been exported. On top of this, the system faces a \$200-million to \$300-million seasonal rise in currency from now until Christmas. So the Reserve banks must protect their ability to issue currency while they consider inflating.

Reluctant to Borrow

Government bonds owned by the system cannot serve as backing for Federal Reserve notes, so that bond purchases must be limited if note-issuing power is to be maintained. Acceptances would be ideal but the system already owns nearly all the acceptances in existence. Therefore, the possibilities of inflation rest upon member bank borrowing. This is unfortunate in that banks do not like to borrow, and raise the rates to their customers when they do. But while these obstacles are serious, they do not appear unsurmountable.

Member banks may borrow upon their own notes with government bonds as collateral, or they may discount eligible commercial or agricultural paper. While the total of \$8 billions of eligible assets in member banks should be sufficient both for their protection and for inflation, it is not. Nearly all of it is concentrated in large banks, leaving many small ones helpless.

Into this situation come the finance companies asking that the average of \$1.2 billions which they must borrow from the banks be made eligible for rediscount. Two points stand out in the ensuing controversy:

According to banking and central banking philosophy instalment paper is barred from eligibility by the tenet, based on strict interpretation of the law, that assets of the central bank should be self-liquidating; that is, they should be based in the first instance upon a commercial transaction, the result of which will repay the loan.

Legalistic Objections

The notes which the finance companies want to make eligible are those of the companies, the proceeds of which are lent to instalment buyers. The paper therefore does not result from a transaction. Instalment paper signed by the buyer would be eligible under this provision, but it is of such small amounts and from such unknown borrowers as to make it unsuitable.

Also instalment paper safety rests upon an intangible—the ability of the instalment buyer to continue to get his wages. While this is secured by chattel mortgage, repossessed articles are held undesirable. The basis of most eligible paper is unsold goods or government bonds.

Banking opposition was voiced a year ago by the Federal Advisory Council.

However it is the general opinion that finance company paper could be made eligible by Federal Reserve Board ruling, while all other proposals to widen eligibility require a change in the law by Congress. Additional borrowing power could be provided member banks immediately, thus helping their position and making inflation more possible. Finally such liberalizing might stave off Congressional tampering.

Petitioners' arguments are familiar from frequent repetition. They cite the value of an increased amount of eligible paper for the banks, stimulation of major industries that sell on the instalment plan, lower costs for instalment buyers and the proved safety of the paper. They charge discrimination because Congressional action has already

made an exception to the rule in the case of some classes of agricultural paper and because some paper now eligible is based indirectly on instalment sales. They hold their paper safer and more liquid than agricultural paper.

Influence Is Doubtful

While the number of petitioners is large, the influence of the petition is open to some doubt. Finance companies account for 451 signatures; instalment sellers—motor, refrigeration, radio, etc.—total 400 names. Forty-six are individuals, personal finance companies and trade associations. Important as they are in business, their influence on the Reserve Board would probably be small.

About 230 banks also signed. However, practically all of them are small and constitute a tiny percentage of the total of smaller banks.

Two paradoxes stand out. The major portion of instalment finance company borrowing is done at big city banks, yet the largest bank to sign is located in Milwaukee. Also, practically none of the major companies in the major industries alleged to benefit were found among the signers.

Reserve and Real Estate Stir Up Washington

FIRST Congressional move against "tampering" with the Federal Reserve was started this week—as expected, by Sen. Carter Glass. Simultaneously, came further Washington recognition of real estate's need for help.

Glass, irate against proposals to lend Reserve money on bonds, stocks, or real estate, has set out to mobilize Congressional sentiment against the proposed widening of Reserve eligibility rules. Instalment paper is not mentioned.

Senator Bulkley, of Ohio, offers an alternative proposal. He would place government money (tentatively \$2 billions) at the Federal Land Banks' disposal and enable them to discount mortgages, perhaps stocks, bonds. Glass is moderately inclined toward this proposition, but only as an emergency measure.

Opposition to the Bulkley program is reported in the Administration which is said to have evolved a plan for 12 regional real estate rediscount banks. Operation of these would only be started, not permanently maintained, by government money. Many real estate men are hopeful of the Administration's plan, displeased with the Bulkley proposal, think that the institution should not be a governmental one. Others feel that anything will help.

Demand for Trust Law Changes Increases Steadily on All Sides

**Not all agree on what is needed, but
fundamental common aim is stable prices**

CURRENT and coming public conferences show a strong swing of business opinion toward revision of anti-trust laws.

The movement seems spontaneous, shows no sign of being organized. In fact, lawyers, manufacturers, distributors are still in conflict on some points, are only sure that something must be done. This makes improbable a concerted drive on Congress for enactment of any specific measure.

There is no evidence that Congress has been paying much attention so far, but it is beginning to creep into committee hearings. A Senate committee heard Henry I. Harriman this week recommend modification of anti-trust laws to permit regulation of production by private industrial agreements.

C. of C. Investigates

The U. S. Chamber of Commerce is taking referenda on the question. Diversity of membership probably will prevent a united front.

At the 2-day conference sponsored by New York University this week (first of several in which the issue will be aired) unanimity of opinion was evident. Lawyers, representatives of coal, oil, lumber industries, of radio, aviation, and of the smaller, diversified manufacturing interests, and of organized labor, assailed uncontrolled competition.

Recommendations for relief ranged from a moratorium on enforcement of anti-trust laws for the period of the depression, to Congressional investigation of their operation, as recommended in the last Presidential message.

No one favored outright repeal, probably recognizing that as impossible.

Experimentation Wanted

The average or median position, probably representative of the general attitude, was that the criminal penalties should be modified to permit experiment with various forms of voluntary agreement among producers, under provisional protection of advance advisory opinions by public authorities on their legality, or under supervision of administrative or semi-judicial agencies established for the purpose.

Lawyers appear to be most afraid of drastic changes. The natural resource industries are most insistent on freedom

to control production and fix prices. Smaller manufacturers want closer, more effective trade association activity to strengthen them against "big business." They say the laws now are in effect pro-trust laws.

Labor, of course, wants protection against unemployment, along the lines Swope proposes. Some few manufacturers, with an anti-union complex, fear modification may weaken the injunction weapon against labor. Most industries call this an outworn issue and are willing to swap some concessions to labor for better production and price control.

Indications are an early trend will be toward application of the cartel idea to American conditions, at first in natural resources industries, and with increasing scope for trade association cooperation in other industries. This trend will be dictated by wider acceptance of the conservation principle and also by the widespread demand for stabilization of employment.

The conservation argument has already made great headway, particularly

as applied to oil. It is not so clear, however, how ready other industries are to pool part of their profits to create unemployment and superannuation funds, in exchange for the privilege of price maintenance under governmental supervision.

Shy at Job Stabilization

Most industries seem to be ready enough to rush into public control (and trust to their political power for protection); but they are shy about employment stabilization. The Swope plan has aroused little enthusiasm.

The fundamental under all this is increasing recognition that price fluctuations drastic as in this depression must be prevented. Low prices are less important to the consumer than stable employment and high wages.

Depression is driving employers, workers, and investors alike toward some scheme of cooperative control of price levels in the interest of stability.

Temporarily, too, protection of the freedom of individual initiative and enterprise is subordinated. Not only is the divine right of the consumer to buy products at any price being questioned, but the equally divine right of the individual entrepreneur to go into any business he pleases and give his capital away to the public also is being denied.

In the long run this latter issue will probably prove the most important of all. A lot more will be heard about it than is being said just now.



LAW AND BUSINESS—Prominent in the anti-trust law discussions at the New York University conference were Walter W. Cooke of Johns Hopkins (left); Magnus W. Alexander, National Industrial Conference Board; Fred I. Kent, Bankers Trust; and, standing, Frank H. Sommer, Myron W. Watkins, N.Y.U.; James A. Emery, National Council of Manufacturers; John M. Redpath, U. S. Chamber of Commerce; John T. Madden, N.Y.U.; Charles A. Boston, former president American Bar Association

I.C.C. Decision Looks Toward Balanced Transport System

**Emphasis on roads' common interests bodes ill
for approval of pool's conversion into loan plan**

THE fate of the Interstate Commerce Commission's momentous decision on freight rates remains obscure. The most that can be said is that railroad executives are keeping an open mind. They intend to take no action until their committee appointed at the Atlantic City meeting last week has had a chance to confer with the commission on certain points in the decision.

Chief among the questions to be discussed is the I.C.C.'s proposal to pool the revenues obtained from increased rates for distribution among roads not earning interest charges. The first reaction to this plan was decidedly pessimistic, especially among the stronger lines. It is now suggested, however, that some way may be found whereby a pool would be acceptable. If, for instance, the advances from the pool fund were to be made as loans, not as gifts, there would undoubtedly be less difficulty in putting the plan into effect.

I.C.C. May Be Cool

There is no ground for belief, however, that the I.C.C. would agree to such proposal. The commission must have undoubtedly considered the possibility of meeting the emergency by converting the increased revenues of the strong roads before it decided on outright bequests as the only sure means of affording relief where it is most needed. If the railroad executives, it is said, are fatuous enough to believe that the I.C.C. would accept a proposal for underwriting a loan fund, they have either missed or ignored the plain inference that the commission would have let them whistle for a rate increase, were it not for the fact that some of the carriers were threatened with bankruptcy. The proceeds must go to the roads actually in need, said the commission, or the increase will be withdrawn.

"Only Postpones Reckoning"

Presumably the beneficiaries will be called upon to substantiate in every detail their eligibility for relief but, as one member of the commission remarked—when the trend of discussion at the Atlantic City meeting became apparent—"Loans only postpone the day of reckoning."

The commission's plan is earnings-recapture of a very practical sort and, although the emphasis is upon the immediate emergency, it may point the way to a new law in which the strong roads will be pledged to help the weak in the interest of a well-balanced national transportation system. To some railroad men that smacks of government ownership, but the immediate result at which the I.C.C. is aiming is to put the spur to railroads' consolidation plans. The commission itself is partly to blame for the slow progress made in that direction during the past 10 years, but it has now given to the strong roads an added self-interest to incorporate in their systems weak lines that ordinarily they would attempt to exclude.

Searching Analysis Urged

That the I.C.C. is fully determined that the proceeds of the increase in rates shall go wholly to roads actually headed towards bankruptcy is demonstrated by its offer to cooperate in building up the revenues of roads not in immediate peril. The commission is really serious in urging that traffic departments undertake a searching analysis of their traffic structure to determine where increases and where reductions will produce the more revenue. The commission is convinced that such double-barreled action will produce a more or less permanent addition to revenue. In passing upon such proposed rate adjustments, it pledges itself to consider not only the narrow evidence in each case but to draw upon its own knowledge of the general situation. This process is slow, but the commission promises that it will try to keep pace with the railroads' program by expediting all cases in which shippers' protests force a hearing.

There is still much confusion regarding the scope and magnitude of the increases in rates conditionally proposed. All rates are increased, except on farm products specifically listed and on less-than-carload shipments of 175 miles and less. Through shipments moving on a combination rate will take only one increase. This will probably be true also of products stored or proc-

essed in transit, but this and other details have not yet been worked out.

Some commodities, like lake-cargo coal, will be subject to a double levy: first on the rail haul to the lake port, then from the lake head to destination. Special adjustment on this traffic is probable. Excluding I.C.C. freight moving 175 miles and less and assessing such freight moving greater distances up to 250 miles with an increase of only 1¢ per 100 lbs. will discourage diversion to trucks.

Tracing the \$125 Millions

The I.C.C.'s estimate that the rate increases will produce an extra revenue of \$125 millions was made up as follows:

COMMODITIES AFFECTED	(000's omitted)
<i>Products increased \$3 per car</i>	
Coal and coke.....	\$22,000
Ores	5,000
Construction materials	8,000
Forest products	1,000
Total	\$36,000
<i>Products increased \$6 per car</i>	
Crude petroleum.....	\$1,500
Phosphate and sulphur.....	800
Iron, stone, etc.....	2,700
Total	\$5,000
<i>Products increased 1¢ per 100 lbs.</i>	
Gasoline and petroleum products ..	\$12,000
Cement	4,000
Brick and lime.....	2,300
Fertilizer	1,700
Citrus fruits, melons, fresh vegetables ..	2,300
Miscellaneous	700
Total	\$23,000
<i>Other carload freight increased 2¢ per 100 lbs.</i>	
L.C.L. freight increased 1¢ per 100 lbs. beyond 175 miles up to 250 miles; 2¢ per 100 lbs. beyond 250 miles	\$54,000
Switching charges increased 10% ..	\$2,000
GRAND TOTAL	\$125,000

Pending agreement between the railroads and the I.C.C., the wage issue is hanging fire. Railroad executives have carefully avoided discussing this question in public. The attitude of the brotherhoods will be better known when their leaders meet early in November. Meanwhile, individual brotherhood representatives declare that wage cuts will be resisted under any and all circumstances. Last week, however, employees of Gulf, Mobile & Northern accepted a 10% cut.

Stand Firm on Rules

Lately there has been some talk of modifying the numerous "featherbed" rules that "pad" the time slips of engine and train service employees, but

this would produce such a small saving in operating costs, as compared to outright wage reductions, that it would not be worth the struggle.

Railroad executives versed in the long history of trading between railroads and their employees are convinced that the crafts would put up a harder fight against changes in rules than against a cut in wage scales. Wrung from the railroads when employees had a great many grievances, the rules represent the real bulwark upon which the brotherhoods rest.

I.C.C. investigation into railroad practices that are either unlawful or opposed to economical management doubtless will uncover some conditions that cannot be defended, but the reforms

that might result are not of such a nature as to reduce operating expenses by a figure that is of any significance in an emergency. Most of the other measures suggested for improving the situation of the railroads require long study and cannot be inaugurated without legislation.

In line with the commission's suggestion of a national transportation policy, railroad experts have worked out a legislative program that will be submitted to the next Congress. Its aim is to equalize competition through regulation of buses, trucks, and pipe lines engaged in interstate traffic, and to allow railroads to acquire truck and bus lines and operate on the inland waterways.

Then, taking advantage of the opportunity offered by Bruening's semi-dictatorial régime, the answer of the government was handed down in the form of an emergency decree.

The State Railways will reduce freight schedules A and B, which cover goods of comparatively high value (relative to volume) by from 3.5% to 20%. These are the goods in which the competition of motor transport has been particularly keen. The Reichsbahn expects to lose from this \$15 millions a year, but counts on winning back part of the traffic previously lost to motor transport.

Trucks Robbed of Advantage

The new all-German motor freight rates are adjusted to the highest (but now reduced) schedules of the State Railways. Motor rates for cheap bulky goods will necessarily be higher, in many cases much higher, than Reichsbahn rates—to the benefit of the latter. And uniform rates rob the truck of its ability to adapt itself to varying conditions.

Shippers naturally look forward to higher costs of transportation on goods carried by trucks other than their own. High rates on licensed truck carriers will undoubtedly serve as an incentive for the larger manufacturers to acquire fleets of their own, not subject to any limitations. Another certain loser is the automobile industry.

Germany Solves Rail-Truck Competition by Stopping It

EUROPEAN NEWS BUREAU—About the time the I.C.C. handed down its decision on rail freight rates Germany, in Bruening's latest emergency decree, reached an equally significant decision, also concerning freight rates.

Effective Nov. 1, motor transport over 30 miles, factory-owned and -operated fleets excepted, is put on a strict license basis and no goods can be carried at lower freight rates than those fixed by the government for the whole of Germany; freight rates on the German State Railways are reduced and more effectively coordinated in regard to motor transport.

Since the motor freight rates are fixed to drive back to the railroads at least a part of the traffic previously lost to motor transport, and because trucks in future are subject to a rigid system of control, the old battle in Germany between the railroads and the trucks has ended in what looks to the truckers like a victory for their competitor—the German State Railways.

Contract Disputed

The struggle began early this year when the State Railways signed a contract with Schenker & Co., prominent freight forwarding firm, granting it a virtual monopoly on freight collection and delivery services (BW—Mar 4 '31).

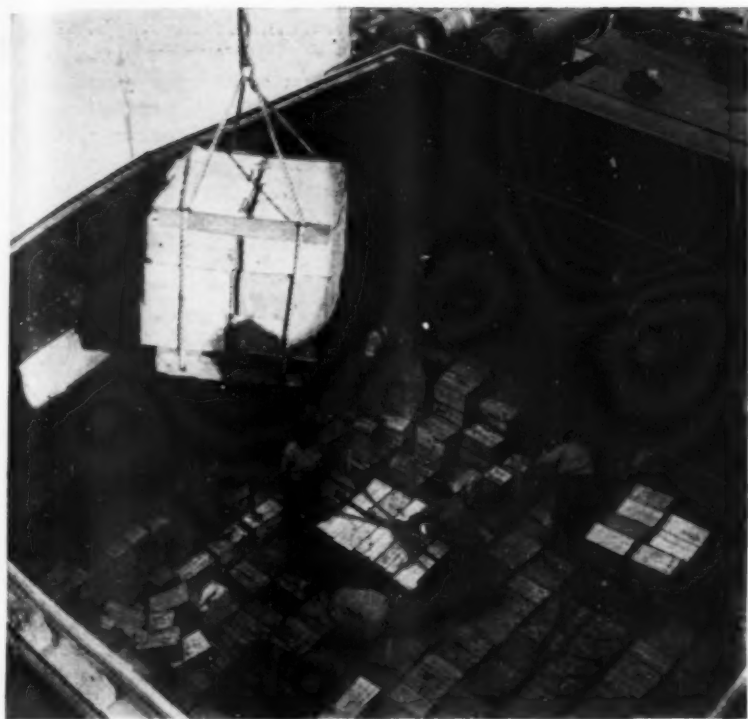
Into that contract it inserted a clause which forbade forwarders to carry any goods beyond a 30-mile zone without paying the Reichsbahn a license fee, demanded that they charge minimum railway rates when carrying by truck.

This attempt of the Reichsbahn to strangle motor transport competition by way of a private contract with a forwarding firm roused vehement protests from both motor transport interests and shippers. However, the Reichstag intervened.

There were prolonged negotiations.



INTERNATIONAL NEWS
VISITING INDUSTRIALISTS—On their way to the Major Industries Conference at Columbia are (left to right) Frederic S. Snyder, chairman, Institute American Meat Packers, sponsors of the conference; Dr. Fritz Thyssen, German steel man; Thomas E. Wilson, president, Wilson & Co.



Keystone

HERE COME THE DATES—Unloading the winning ship in the annual race from Persia to New York to get the best price in the American market

South Must Feed Itself or Diet; Either Way Food Industry Loses

But some of its members are holding a market by putting up processing plants there

THE food industry is getting worried over its prospects in the South. Most Southern farmers have hitherto preferred to concentrate on one crop—generally not a food crop—from the proceeds of which they have purchased food for man and beast from other localities. With the impending bankruptcy of the one-crop plan, particularly in cotton and tobacco, they are faced with the choice of giving up the foods they have been accustomed to buy from the North or raising them themselves. This leaves little to the food industry except the possibilities that lie in processing locally the foods grown in the South.

According to *Food Industries*, which has just completed an extensive survey of the situation, Southern farmers buy each year about \$430 millions of food and feed which they could easily raise themselves at little more than the cost of their labor. Another estimate that it cites points out that the one-crop South-

ern states import foods and feeds costing \$1 billion and pay the bill with the proceeds of crops which are not indispensable.

In many Southern counties for which records are available total retail purchases of foods and feeds amount to \$2½ millions a year while their cash crops—only exportable items—produce only \$2 millions. The unfavorable balance is accounted for by the constantly increasing load of farm mortgages.

Typical of what may happen is the condition in North Carolina, which is more developed industrially than any Southern state. In the last 2 years it has greatly increased its food and feed crops and has cut its cotton planting 250,000 acres.

However, it still cannot feed itself. Estimates for 1931 by the State University place its deficiency in supplying its own needs of wheat at 49%, of oats at 46%, of sorghum at 84%.

The average North Carolina farmer still raises cotton or tobacco for an already glutted market while he pays a farmer in Minnesota to produce his butter and condensed milk, one in Kansas to raise his wheat, one in Iowa to supplement his corn crop, one in Maryland or Ohio to raise his vegetables and haul them to a cannery. Then he pays several dealers for handling these items and one or more railroads for carrying them when he could have produced them all at little cost on land now used for a crop which he can sell only at a net loss.

No Swift Changes

Despite the fact that a change apparently must come in Southern agricultural policies, many observers doubt that it will come very fast. One commentator tells *Food Industries* that a complete change of social point of view must take place before the South can reorganize its agricultural setup. Tenant farmers abound, 75% of them are colored, with virtually no education, finances, or ambition. Until this condition is remedied diversified farming will be limited to a few outstanding areas of limited size and, even then, to relatively few individual farmers. One informed Southerner goes so far as to assert that the people of the South will do without most of the food products they now import rather than attempt to raise them.

New Ventures

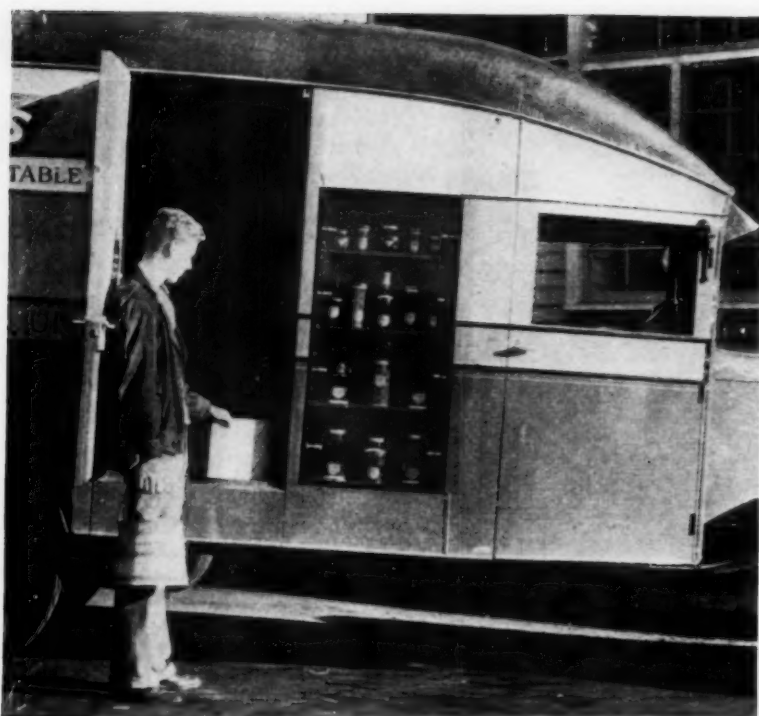
Indicative of the food industry's attitude toward the situation are the ventures of Swift and Borden in recently establishing plants in the South, supposed to be experimental only but obviously designed to take advantage of any change in food markets.

At West Point, Miss., Swift & Co. is establishing what will be one of the largest poultry plants in the world. The Borden Co. plant is at Newberry, S. C. *Food Industries* sees these moves as forerunners of a general movement of food-processing plants to the South to take advantage of such food-growing activities as may develop.

North Carolina Ruling Strengthens Chain Taxing

THE Supreme Court, evidently determined to clear its calendar of chain tax cases, clarify the situation for chain executives, state officials, and legislators alike, has just rendered its second chain tax decision of the term, sustained North Carolina's impost of \$50 a store.

In some respects similar to the Indiana



The Business Week

SHOW YOUR OWN—This manufacturer of jams and conserves in Portland, Oregon, has trucks equipped with show windows which display the line

tax, sustained May, 1931 (*BW*—May 27'31), on which rehearing was recently refused (*BW*—Oct 21'31), the North Carolina tax law differs in one important particular: it does not provide simultaneous taxing of single-store independents. So, in sustaining it, the Supreme Court sustains the principle that separate or special taxes may be imposed on chain stores alone, disappointing chain executives who had hoped that the exception would cause the tax to be held unconstitutional.

A Privilege Tax

Attorneys for North Carolina argued that the tax is levied for privileges extended, that chains enjoy much greater privileges than single-store independents and should be taxed accordingly.

Particular importance is also attached to the fact that the North Carolina tax is sustained by a 7 to 2 decision as contrasted with the Indiana 5 to 4 vote with an emphatic dissenting opinion. Justices Van Devanter and Sutherland, who dissented in the Indiana case, voted to uphold the North Carolina tax on the ground that the Indiana decision, had become a precedent.

Chain executives are seriously concerned over the effect that this second adverse ruling may have upon the future development of their business, fear that chain tax legislation will be enacted in

practically all states and that cities will proceed to enact ordinances involving the licensing of chain stores. They consider the North Carolina law distinctly open to interpretation permitting local taxation.

In Portland, Ore., where a chain tax ordinance has actually been passed (*BW*—Oct 21'31), chains succeeded without difficulty in obtaining 10,000 signatures to a petition which compels a referendum vote on enforcement. Other cities in the northwest territory, reported ready to introduce chain tax ordinances, are awaiting results.

Dry Shaver Eliminates Whiskers—and Razor

WHILE razor and blade makers are staging legal battles over patent rights and contracts, commercial battles to obtain the largest slice of existing business, Max Schick, inventor of the Schick magazine repeating razor, has perfected the Schick Dry Shaver, designed to eliminate razors and blades, shaving cream, lather, and lotion—as well as whiskers—at one sweeping stroke.

Selling at \$25 for a lifetime service, his electrically operated clipping machine presents to the whiskers a contact surface with 36 extremely fine slots

through which they connect with the business edge of a rapidly reciprocating U-shaped cutter as the machine is moved over the face. Clipped off close, they are removed from the Dry Shaver by an ordinary pipe cleaner.

California Standard Will Stick to Its Oil

AFTER 6 months of investigation, Standard Oil Co. of California concludes that ownership of refrigerating plants is too frail a bridge between selling gas and oil to the car owner and selling frozen foods to his wife (*BW*—Apr 29'31).

So by mutual and friendly agreement General Foods Corp. resumes complete control of production and distribution of Birdseye quick-frozen foods in the far West.

Both parties to the original agreement report that joint operation of Pacific Frosted Foods, Inc.—justified when it was organized—now seems impractical due to rapid and important changes in their own fields.

Standard Oil definitely states that it has not altered its opinion as to the merits of the proposition; rather, it finds food distribution not properly within its sphere.

General Foods Corp., says Standard Oil, is peculiarly equipped to handle food production and distribution problems, and should proceed unhampered by Standard Oil affiliations.

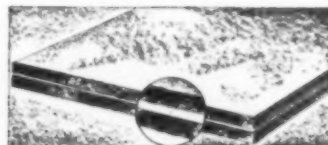
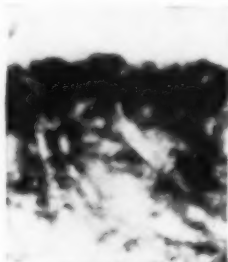
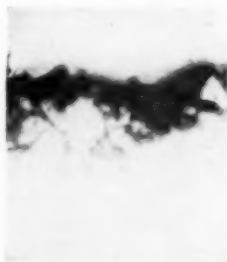
Dollars Go Begging—Even in Hard Times

DURING its 104 years Arnold Constable & Co., one of New York's largest and the country's oldest mercantile establishment, has jealously guarded its reputation for fair dealings.

When in October an unlooked-for reduction in costs enabled it to sell its regular line of men's fall and winter suits at \$33.50 instead of the previously established \$40 price, it not merely advertised that a reduction had been made but stated that it would refund the difference of \$6.50 to anyone who had bought the suits for \$40 since Sept. 1.

Several hundred suits had been sold since Sept. 1 and it was expected that a large percentage of the purchasers would claim the refund. Exactly 2 came for their \$6.50. One took it in cash; the other added \$27 and bought another suit. Several thousand dollars remain unclaimed.

NOT A CENT OF COST FOR THIS VALUABLE INSURANCE



HERE'S HOW the amazing pictures at the left were made. Paper sliced through writings was placed between two slides. The edge of this "sandwich" . . . showing *cross section* of paper . . . was then photographed under the microscope.

The so-called "permanent" ink penetrated the paper only slightly as the microphotograph at the left shows . . . RYTO INK, shown at the right, had gone into the paper deeply, had "riveted" itself right into the fibres . . . had actually become a part of the paper . . . The penetration of the washable ink on the paper was so slight that it could not be shown by a microphotograph.

MICROPHOTOGRAPHS SHOW WHY RYTO OFFERS YOU PROTECTION . . .

SIGNATURES worth fortunes are often written in *washable* ink. Spilled water, or a window left open in rainy weather, has turned many such signatures into valueless blurs.

Yet most executives use fountain pens . . . demand a *free-flowing* ink. Many such inks are *washable* . . . perishable!

But this risk is now needless. For Carter has developed a *permanent* ink that will flow through any fountain pen. Its name is RYTO.

RYTO INK "rivets" itself in . . . cannot be washed away. This ink may save you thousands of dollars . . . yet it doesn't cost you a penny more than the kind of ink which water easily dissolves!

You will enjoy using RYTO. It flows evenly, no matter how rapidly or slowly you write. Writes a deep blue, which turns to an imperishable black. Keeps its brilliant initial blue indefinitely in the ink bottle, inkwell or fountain pen.

What laboratory tests prove

Tests were made of three brands of fountain pen ink . . . a washable ink, a so-called "permanent" ink, and RYTO.

All three were tested on the same kind of

paper, with the same pen and pressure, on the same day . . . were exposed to the atmosphere for 43 days.

The pieces of paper were then cut through the sections on which they were written. In this way *cross sections* showing ink penetration were obtained.

The *cross sections* were photographed under the microscope. Results were amazing.

The *washable* ink had left a record so faint it could not be seen in the photograph.

The so-called "permanent" ink had penetrated only a little (could be easily washed away).

RYTO had sunk deep into the fibres of the paper . . . was not even slightly affected by the 43 days of exposure . . . became part of the paper itself.

Fountain pens and desk sets for particular tastes

Based on a thorough study of writing habits, Carter has developed an outstanding line of fountain pens and mechanical pencils.

Carter fountain pens are made and adjusted entirely by hand. Pearltext, exclusive with Carter, comes in black, white and colors. The Coralite pen is made in black and various color combinations.

Carter desk stands, distinctive, dignified, and strongly made, are chosen for the most finely appointed desks.

Make a practical test of RYTO

It costs no more to use Ryto than to use ordinary ink. A full-sized, two-ounce bottle is only 10¢. Make a test of RYTO in your organization under actual service conditions. You can get it at any stationer's . . . or send 10¢ and we will mail you the bottle illustrated, packed in its colorful carton. The Carter's Ink Company, Dept. B.W.11 Boston, Massachusetts.



THE CARTER'S INK COMPANY

Morrill Sends Kroger After Independents' Best Selling Point

His new sales policies seek to put quality on a par with price in the chain store's appeal

TIRED of playing the rôle of a one-man general staff for a big client, and anxious to get into action at the business front, Albert H. Morrill—lawyer with a dislike for stuffy courtrooms and a decided preference for 2-fisted fighting—had himself elected president of Kroger Grocery & Baking Co., one of the country's largest chains of food stores. In the year and a half he has been at his new job he has carried the company through a period of merger assimilations, falling prices and a general economic depression with no more than average losses in sales volume, while the morale of the organization and its physical properties have been greatly improved.

Is Much in Field

With the advantage of an exceptionally wide legal background, not adverse to capitalizing his experience in politics, but unhampered by any too intimate knowledge of the food-chain business and its traditions, Mr. Morrill has effected some remarkable changes in the important branches of the Kroger business.

He believes that an executive must know what's going on in the field, spends about 1 out of 4 weeks with district and store managers, cultivates direct contact with many of the 10,000 employees of the company, and studies consumer reactions at first hand. Thus the policies he outlines and decisions made by him are seldom the result merely of impressions or second-hand knowledge acquired at his headquarters desk at Cincinnati.

To make sure that the organization functions efficiently in getting things done he has surrounded himself with a staff of executive experts.

Closes 600 Stores

An inspection of some of the company's 5,500 stores made soon after he took charge convinced him that, particularly among the 1,400 acquired with 10 chains during 1928 and 1929, were many unsatisfactory locations. So he applied the ax, eliminated over 400 during 1930 and by September, 1931, had only 4,915 stores in operation.

All units have been overhauled to improve their exterior and interior ap-

pearance and their ability to serve. Lines of merchandise have been added intended eventually to make each unit a complete food store, with the result that profits per store are improving.

Enter Quality

Selling goods on price has made way to a quality and service appeal, packages have been improved, brands changed, a different type of advertising adopted to get away from price competition.

Sales personnel is being trained to do a real sales and merchandising job and a monthly magazine keeps all employees posted on what's going on within the organization. Every employee is urged to realize that the company has chiefly a selling job, that more goods must be sold if more profits are to be earned and that, to accomplish this, customers' good-will must be cultivated.

Mr. Morrill has made sure of a measure by which to gauge the company's

future progress. By a special investigation he determined that of all customers 50% bought because of price, 25% as a convenience, only 16% to get quality, and that 75% also bought some goods at other chains and independent stores. Contrasted with this, the study disclosed that of those patronizing independent stores only 13% came because of price, 23% for convenience, 25% for better service and 35% for better quality. Mr. Morrill's selling policies have been designed to change these relative proportions.

But he has not neglected the mechanics of chain operation and some of the changes in internal policy and procedure to improve performance, cut costs, increase operating profits are as drastic as those relating to sales and service.

Operations Decentralized

Operations have been more thoroughly decentralized. Twenty-six branch offices function as headquarters for specific districts while stores in each state operate within certain limits as segregated groups.

To cut losses on buying and distributing of perishable foods to minimum a separate subsidiary, Wesco Foods Co., has been set up.

A daily food express service has been organized to deliver fresh fruits, vege-



KROGER'S MODEL STORE—It's on Government Square, Cincinnati; outside and inside, it's modern in every respect. Above, are laboratories of the Kroger Food Foundation, where foods will be studied scientifically

tables, meats, dairy products, and regular replacement stocks to all units, has materially speeded up stock turnover while permitting better service to customers.

General merchandising operations of the company have been centralized in a newly created department under Alvin E. Dodd as vice-president in charge of merchandising.

Million for Research

Anxious to have the Kroger Co. contribute actively to the improvement of food cultivation, preservation, transportation, distribution, and cookery in the home, Mr. Morrill was instrumental in the establishment of the Kroger Food Foundation, which will have available the income from a \$1-million fund. In new laboratories specially equipped for their job, foods will be studied from their source right through to the consumer's table.

Those familiar with the situation feel that substantially Mr. Morrill has succeeded in carrying on simultaneously a house-cleaning operation and rebuilding process. They hold that general business conditions are too unusual and that some of the changes effected have been too recent to permit either commendation or criticism. In any event, they commend Mr. Morrill's willingness to cut often and deeply in the hope of effecting speedy improvement.

Code Words Cut Costs Of Electrical Orders

ON Nov. 16 the new LCODE, standard telegraph code for the entire electrical industry, will become effective. Result of more than 12 months' efforts by representatives of the National Electric Light Association, electragists, electrical wholesalers, radio manufacturers and wholesalers, the Society for Electrical Development, and the National Electrical Manufacturers Association, the new code is the first undertaking of its kind by a complete industry.

The LCODE contains 5-letter words covering expressions used in every branch of the electrical field and an arrangement of flexible phrase tables whereby a single code word may be employed for a number of short words frequently used in telegrams—for example, such sentences as "shipment will be made by express 22nd this month" or "wire lowest price and shortest delivery f.o.b. Des Moines," can be sent by a single code word.

Savings from 40% to 70% are expected from the new code.



AMERICAN CAN

tells why this **LOCATION PAYS**

For twenty-seven years, the American Can Company of Massachusetts has been a lessee of the Boston Wharf Company, maintaining a manufacturing and distributing base from which adjacent New England territory is served.

"We have found that our location is an ideal site," says Mr. L. Purtell, Superintendent, "for manufacturing and distributing in New England from the three fundamental angles of handling raw materials by rail, of distributing to all points in the territory by motor truck, and of obtaining a satisfactory labor supply."

A similar location on the same property, embracing the above-mentioned advantages, plus additional ones, is open to you. Here are miles of spur track adjacent to the main lines of two railroads, paved private streets and, if desirable, wharf frontage for ocean shipping. The heart of the city is but ten minutes away, yet rents, insurance, and other charges are relatively low.

We are prepared to remodel present buildings, of which there are ninety, or to erect new buildings to suit your requirements. Mail the coupon below for our sixteen-page descriptive booklet.



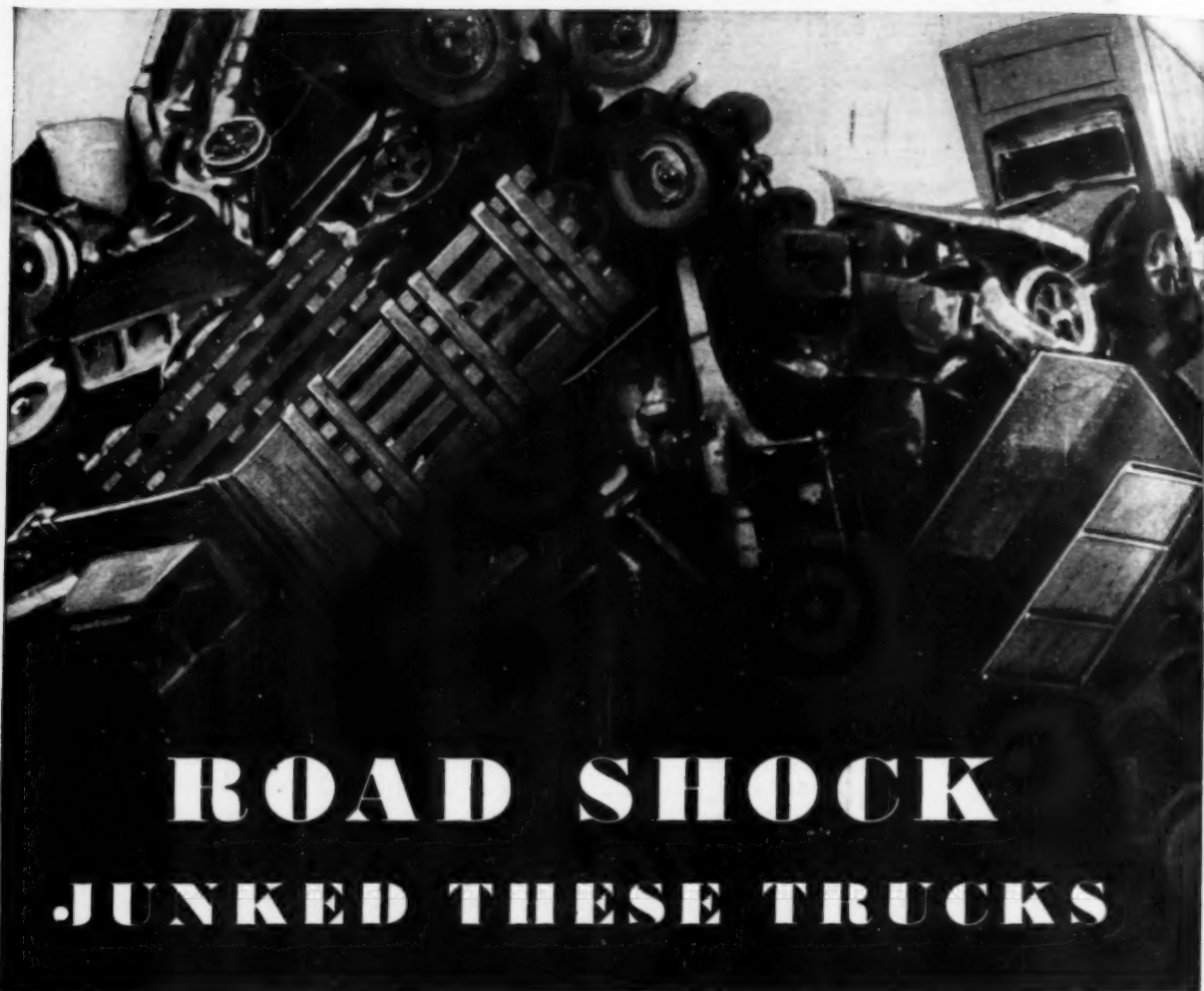
BOSTON WHARF COMPANY

Industrial Service Department
Boston Wharf Company, 239 Summer St., Boston, Mass.
Please send me booklet describing your property and its advantages.

**CLIP THIS COUPON
FOR LARGER PROFITS**

Name _____ Position _____

Company and Address _____



ROAD SHOCK JUNKED THESE TRUCKS

... protect yours with GOODRICH TRUCK BALLOONS

YOU'VE heard those big trucks rumble past your office—felt them shake the building—thought nothing of it. But that's Road Shock. Road Shock is pounding those trucks to pieces—wearing out equipment—cutting down efficiency—piling up trouble—stealing profits.

What's Road Shock doing to your trucking equipment . . . ? Plenty—unless you've taken steps to eliminate it with Goodrich Truck Balloons.

Put Goodrich Balloons on your fleet and you get a brand-new perspective of how efficient a trucking operation really can be.

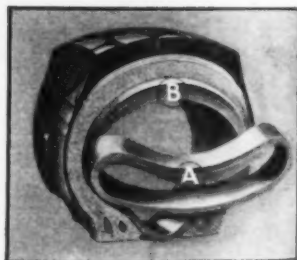


Time after time, on hundreds of different jobs these big buoyant easy rolling tires have proved their ability to reduce the entire range of trucking costs—as much as 25%.

Phone your nearest Goodrich Distributor now, and get the facts. He's listed under "Tires" in the classified directory.

The B. F. Goodrich Rubber Co., Est. 1870, Akron, Ohio. Pacific Goodrich Rubber Co., Los Angeles, Calif. In Canada: Canadian Goodrich Co., Ltd., Kitchener, Ont. The International B. F. Goodrich Corp., (Export).

"Goodrich Truck Balloons are delivering me approximately twice the mileage under the same severe driving and road conditions," writes C. E. NOSS, Mechanicsburg, Pa.



Air Containers are more than an inner tube. They add 8 vital points to truck-tire performance. 1. Seal punctures on running wheels. 2. Add tire mileage—25%-35% more. 3. Maintain air pressure at correct point. 4. Reduce tire care to the minimum. 5. Promote confidence—insure safety—prevent flat tires. 6. Outlast the tire—often several. 7. Strengthen tire against bruises. 8. Reduce costs—they pay their way.

In illustration (A) shows cross section uninflated, (B) inflated. The patented cord insert makes the Air Container's ability to seal punctures permanent.

Goodrich *Truck* Balloons

another B. F. Goodrich Product



32,000 Rubber Articles • Goodrich Silvertowns • Zippers • Rubber Footwear • Drug Sundries • Sales • Heels • Hose • Belting • Packing • Molded Goods



ENGLAND'S LATEST—The Rover Scarab—a "baby" car—has the engine mounted transversely at the rear, spare tires and luggage under the hood

Better Butter Prices Encourage Dairymen—and Also Importers

DAIRYMEN have been encouraged by the rise in the price of butter, which has been going up since July. At 32¢ to 35¢ a pound (wholesale, New York), high grade creamery butter is considerably above the low mark reached in June, when it sold for around 23¢, though it still is below last October's level of 40¢.

The advance is largely seasonal. But the percentage of increase has been greater than in previous years and has taken place in the face of declining markets in other agricultural commodities. There is as yet no evidence that consumption has been curtailed due to the higher retail price.

One of the chief supports of the domestic market is found in the greatly improved statistical position of butter. Storage holdings of butter totalling 80.2 million lbs. on Oct. 1 were some 51 millions less than a year ago, over 54 millions below 5-year average.

Production so far this year is slightly ahead of last year, showing for the first 8 months an increase of only 1%. Consumption, however, is about 2% greater. Lower prices forced by last year's surplus, and, to some extent, higher taxes

on oleomargarine account for the increased demand for butter.

But domestic producers fear that the favorable statistical situation of butter may be upset by foreign imports, stimulated by higher prices here. Evidence of this is seen in the recent arrivals of Canadian butter in New York. Canada is reported to have a large surplus of butter this year, estimated at around 4 million lbs. Despite the 14¢ duty, Dominion shippers are able to compete with domestic producers owing to the lower Canadian price of butter and the decline in Canadian exchange.

Aluminum Finds New Use As Butter Wrapper

A NEW use for aluminum foil as a wrapper for butter is presaged by results of tests recently completed at the research laboratories of Aluminum Co. of America. The company reports that in tests on butter stored for 6 weeks in a home electric refrigerator at temperatures between 48 and 50 deg. F., samples wrapped in aluminum foil emerged

fresh and sweet while others in wrappings of commonly used materials deteriorated after but 2 weeks' storage. The test reports add that aluminum proved impervious even to limburger.

"Customer Temperature" Measures Mail Sales

CHICAGO MAIL ORDER CO., fourth largest mail order house in America, learned from its records that sales volume of wearing apparel and other seasonal merchandise was directly affected by the temperature in each territory. Doing its business exclusively by mail, the company had no way to get weather reports from salesmen or local representatives.

So it uses the Weather Bureau reports. A state's average temperature for a week is multiplied by the number of customers in that state, then an average or "normal" index or temperature figure for the country is developed. Upon adding the totals for all states and dividing by the number of customers the company actually had during that week, it finds what is called its "customer temperature."

This "temperature" index has averaged 8.3 higher than normal since spring 1930, which is considered the reason apparel business has been correspondingly poor. In extremely hot spring and summer weather, sales are as adversely affected as during a warm fall and mild winter. The higher the customers' temperature index goes, the lower are the chances for normal sales.

During early fall of 1929, low temperatures in many states, reflected in the "customers' temperature index," resulted in heavy sales of winter garments.

The company now furnishes a bulletin with its temperature index to all its buyers, so as to synchronize its purchases more closely with sales.

Detroit Milk Independents Fight Chains With Radio

INDEPENDENT milk distributors of Detroit have formed the Independent Milk Dealers' Protective Association to "wage a war for existence" against the 4 companies owned by National Dairy Products Corp. and Borden Co.

Action was precipitated by the nationally-controlled companies, discontinuing the use in their store trade of bottles on which the storekeeper made a charge of 3¢, to be refunded on return of the bottle.

Independents charge this is the third

time in 3 years that the "combines" have forced them to buy deposit bottles or scrap them at cost of \$1½ millions (BW—Oct 7 '31), are planning to try to push through the municipal council an

ordinance requiring all distributors to use a standard 3¢ deposit bottle in their store trade, will bring their cause to the attention of consumers by means of a radio and publicity campaign.

Dealers Want a New Deal On Automobile Sales Policies

**Say they lose while makers profit, ask
protected territories, safeguarded contracts**

In a scathing denunciation of automotive merchandising policies, C. A. Vane, general manager of the National Automobile Dealers Association, charged the manufacturers with wrecking the industry's selling structure, outlined the changes needed to put automotive distribution on a sound basis.

During the last 10 years manufacturers piled up profits of \$2½ billions but the dealer body lost \$1 billion on merchandise handled, Vane told the assembled dealers. The banks had such a disastrous experience during this period that today a bank loan to an automobile dealer, once considered desirable business, is a rarity.

As an indication of the results of this shutdown of local bank credit, he points out that money furnished by finance companies to dealers for stocking, a function formerly performed for emergencies only by banks, now exceeds the money lent by finance companies to consumers for retail purchase of new automobiles—\$448 millions for wholesale, \$433 millions for retail.

What Dealers Want

To reestablish dealers on a sound financial basis Vane suggests 4 changes in manufacturer-dealer contracts: (1) Give dealers a zoned and protected territory with exclusive rights to buy and sell the company's product; (2) abolish fleet sales in which the dealer is required to deliver merchandise to national buyers at a discount; (3) permit the dealer to take the regular markup on all items in his invoice, freight, handling charges, advertising, etc.; (4) give the dealer a 5-year contract which can be cancelled on 6 months' notice but which, when cancelled, would obligate the manufacturers to take off the dealer's hands all stocks of motor vehicles and parts, and all leases and time payment sales contracts endorsed by the dealer involving the sale of the manufacturer's new cars.

The automobile industry will enter 1932 with about 32,000 dealers, a loss of over 8,000 this year. In 1920 there were 55,000 dealers, which was reduced to 40,000 by 1930. Despite further shrinkage, Vane believes that the industry still has 10,000 dealers too many.

Some Dealers Ahead

While the dealer situation in general is perhaps the biggest single worry of the manufacturers, work done by some in behalf of dealers is bearing fruit. Chevrolet dealers in 1931 are \$10 millions ahead in net profit on a smaller volume of business than in 1930. Oakland and Pontiac dealers have increased their profits \$5 millions, Buick dealers have cut \$8 millions out of fixed expenses.

R. H. Grant, General Motor's vice-president, believes good management will determine whether a dealer makes money in 1932. A substantial reduction in accounts and notes receivable is one of the dealer's biggest needs today; General Motors' dealers today have 2½ times as much invested in outstanding accounts as in used cars, half in notes on used car deals, half in open accounts (mostly labor and repair parts). Dealers in one General Motors division have \$17 millions in outstanding repair bills averaging \$2.73 each.

Dealer Finances

In a survey of the volume of business done by dealers in cities ranging from 50,000 to 75,000, the National Automobile Dealers' Association revealed that the average dealer in 1929 had total sales of \$252,549; paid out in salaries and wages 9.21% of his volume; supported one employee (average wage \$1,669.34) for every \$18,129 worth of sales.

Many automobile executives believe that factories made a mistake in increasing the number of dealers regardless of sales possibilities in a given territory. This is especially true in the higher-



International News
FORD OF FRANCE—Andre Citroën,
automobile maker, visits the
United States to attend the Major
Industries Conference

price classes, where 90% of retail sales are confined to certain areas surrounding metropolitan centers; sales efforts outside these areas are unprofitable to dealer and factory alike.

Some see the industry drifting toward direct selling. Vane frankly says that the dealer system must be made more workable or factory retailing must be substi-

tuted. In important sales centers, more and more manufacturers are opening direct factory branches in wholesale, service, and retail.

Many companies already are giving serious consideration to the problems which may confront them if the dealer system breaks down. However, most are content to cross this bridge when they come to it, confident that they can accomplish the most good by helping their dealers through the present emergency, retaining as many as possible of their established retail outlets.

Graham-Paige Continues Salesmen Payment Plan

AFTER 2 months' operation of its salesmen's cooperative compensation plan, whereby the factory shares equally with the dealer the burden of paying salaries to new salesmen, Graham-Paige Motors Corp. says that the plan has been successful in its main purpose—the discovery and development of productive salesmen during the slack selling season in order that dealers may be well prepared for the peak of business with the return of better times.

Dealers have been permitted to give new salesmen a 3-weeks' test to determine whether they can produce.

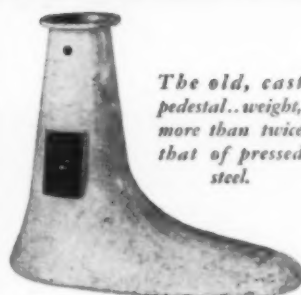
"Free Motoring" to Back Austin Economy Claims

IN a spectacular attempt to push sales American Austin Co. is offering "free motoring" in Philadelphia, Pittsburgh, Butler, Pa., says it will be extended to other territories. "Free motoring" gives each purchaser of a new Austin car free gas, oil, tire repairs or replacements, general repairs, repair parts, and greasing for a year or the first 7,500 miles.

Austin's sponsors think their adoption of the free motoring plan ought to convince skeptics of the soundness of economy claims for the bantam car. Hoping to break down the old sales bugaboo of "You could pay another \$100 and get a bigger car," they point out that at the end of 7,500 miles of driving the Austin will have cost only \$435 (f.o.b. Pittsburgh) while gas, oil, and repair bills will have increased the other hundred considerably.

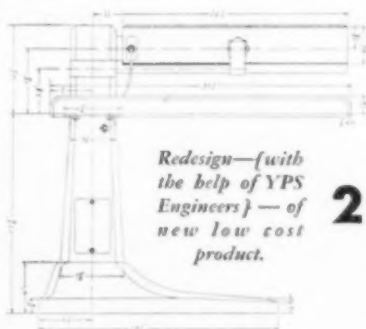
Each Austin buyer gets a coupon book entitling him to gas and oil at Gulf Refining Co. stations or authorized service stations. The car must be inspected after 500 miles, 1,000, 1,500, and every 1,000 thereafter.

LET US CUT COSTS FOR YOU AS WE CUT COSTS FOR THE MAN WHO BUILDS IRONERS



The old, cast pedestal...weight, more than twice that of pressed steel.

1



Redesign—(with the help of YPS Engineers)—of new low cost product.

2



The finished product (Stamped by YPS) cut estimated costs in half!

3

RESULTS

This manufacturer says: "The new pressed steel pedestal weighed less than half that of the cast pedestal, gave us a better finish, eliminated machining and cut our estimated production costs in half!"

WRITE

May we do for you what we have done for many, many others? A survey costs you nothing. Does not obligate you in the slightest. Write for free booklet, "Adventures in Redesign"—it tells the story.



"Press it from Steel Instead"

The
YOUNGSTOWN PRESSED STEEL
Company

117 UNIVERSITY ROAD

WARREN, OHIO

A COMPLETE ENGINEERING & MANUFACTURING SERVICE

If you want to DON'T BUY GHOST C



D. F. KELLY, President of the Fair, Chicago, and President of the National Retail Dry Goods Association, says: "Is there not such a thing as excessive circulation—excessive in cost to secure, excessive in cost to manufacture and excessive in cost to the advertiser?"

"If the money spent so lavishly to secure what might be termed 'phantom circulation' were used in an effort to build the best possible circulation, so far as productivity is concerned, would it not be of greater profit to the pub-

lisher and his clientele? How much is ghost circulation and how much is deserved circulation?"

"Newspapers and magazines are in a race for circulation. The advertiser pays the bill. If the waste circulation of newspapers and magazines were eliminated, the advertiser would obtain the same result he is getting now.

"Many believe 20% is waste, for which the advertiser is paying because of the competitive ambition and pride of the publishers."

When
Newsp
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NEW YORK
CLEVELAND
BALTIMORE
PITTSBURGH

20 PARK

NOVEMBER

lower advertising costs CIRCULATION

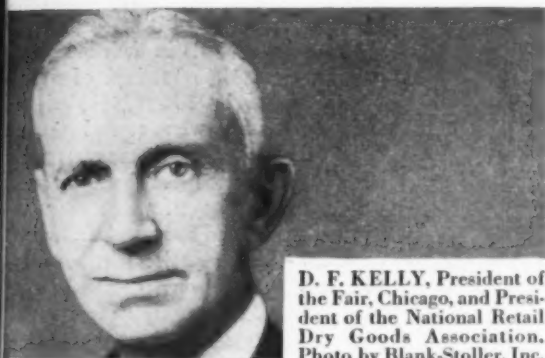
When you advertise in SCRIPPS-HOWARD Newspapers you avoid phantom circulation. Not one dollar is spent for circulation outside of natural trading territories—profit areas. No contests. No forced combinations. No rural scatteration.

74.4%

OF SCRIPPS-HOWARD CIRCULATION IS CONCENTRATED IN CITIES

90.7%

OF SCRIPPS-HOWARD CIRCULATION IS CONCENTRATED IN PROFIT AREAS



D. F. KELLY, President of the Fair, Chicago, and President of the National Retail Dry Goods Association. Photo by Blank-Stoller, Inc.

If YOU want lower selling costs, concentrate your effort where advertising results are greatest . . . where population is thickest . . . where dealers are accessible . . . where living standards are highest . . . where wealth is greatest . . . where fashion sense is developed.

SCRIPPS-HOWARD Newspapers offer the highest concentration of circulation available in one unit for national advertising. Confine your advertising where greatest profit can be made.

SCRIPPS · HOWARD NEWSPAPERS

MEMBERS OF THE UNITED PRESS . . . OF THE AUDIT BUREAU OF CIRCULATIONS AND OF MEDIA RECORDS, INC.

NEW YORK *World-Telegram* SAN FRANCISCO . . . *News* BUFFALO *Times* COLUMBUS . . . *Citizen* YOUNGSTOWN *Telegram* HOUSTON . . . *Press*
CLEVELAND . . . *Press* WASHINGTON . . . *News* INDIANAPOLIS . . . *Times* AKRON . . . *Times-Press* FORT WORTH . . . *Press* EL PASO . . . *Herald-Post*
BALTIMORE . . . *Post* CINCINNATI . . . *Post* DENVER *Rocky Mt. News* BIRMINGHAM . . . *Post* OKLAHOMA CITY *News* SAN DIEGO . . . *San*
PITTSBURGH . . . *Press* COVINGTON *Kentucky Post* TOLEDO . . . *News-Ex* MEMPHIS *Press-Scimitar* KNOXVILLE *News-Sentinel* EVANSVILLE . . . *Press*
— Kentucky Edition of Cincinnati Post ALBUQUERQUE *New Mexico State Tribune*



200 PARK AVENUE, NEW YORK · CHICAGO · SAN FRANCISCO · DETROIT · LOS ANGELES · ATLANTA · PHILADELPHIA · BUFFALO · DALLAS



AMMUNITION FOR THE WOLF—A county pantry in Tennessee; here are 73,000 cans of food, prepared at the county workhouse, ready for distribution next winter. Many communities are canning their surplus

Local, Company Relief Measures Aim to Give Jobs and Rations

RELIEF measures, in many communities, are taking a practical turn, offering jobs and rations rather than money.

A cooperative movement to sell adequate wiring for homes to provide jobs for electrical workers has been launched by the Electrical Guild of North America and the International Brotherhood of Electrical Workers.

In some 600 cities and towns throughout the country, idle electricians will make a house-to-house canvass, under the direction of local electrical contractors, to sell repairs and extensions to existing household and business electrical equipments.

\$126-Million Market

It is estimated that if only 3% of the potential market in the United States is reached, the expenditure will still be \$126 millions—\$50 millions for wages; \$76 millions for materials (which, in turn, ultimately results in wages).

Cheap food for needy Colorado citizens will be provided by the canning factory operated in the state prison at Canon City. Communities contributing

raw materials can get canned goods for distribution among unemployed at a cost of less than 1¢ per can. Canon City has already taken advantage of the offer. Stock growers and farmers offered a small herd of cattle and large quantities of fruits and vegetables; the Chamber of Commerce paid the canning fees. Result was 1,000 gal. of apple butter, 3,000 cans of beans, and thousands of cans of beef and vegetables for the unemployed.

Food for Lumbermen

The lumber industry is seriously considering the food rationing plan for its unemployed workers, successfully used by several companies last winter. Lumbering is usually a community proposition so that housing and fuel are generally assured to all workers, employed or not. Last winter the Gilchrist-Fordney Lumber Co. tried the ration plan in its mills in Wisconsin and Mississippi.

A balanced ration was offered to each unemployed worker, to be charged to his account, payable when he returned to work. The average cost of

the monthly ration was only \$2.35 per person. It consisted of 12 lb. of flour in some form; 3 lb. of evaporated milk; fats, sugar, vegetables, fruits; 10 lb. potatoes; 4 lb. lean meat, fish, poultry, game; tomatoes and cheese.

The ration was so satisfactory that some employees, after returning to work, asked to be kept on it as it provided better food at less cost than they believed they could get elsewhere. The Gilchrist-Fordney mill closed down late in December, 1930, and was idle for 5 months. Upon reopening, all but 2 employees returned to work and by Aug. 1, 80% of the food bills had been repaid.

What 266 Employers Think of Wage Cuts

INTERESTING comment on business men's opinions of current employment stabilization measures is provided by the replies of 266 individuals to a questionnaire sent out by Industrial Standards Corp. to 2,000 manufacturers, wholesalers, retailers, public utility executives, bankers, and economists.

General wage cuts in their industries, ranging from 10% to 40% of wages, were reported by 154 (58%) of the 266 individuals who replied to the questionnaire. Virtually the same number (151) reported that their own companies had cut wages, which shows an unusual correlation between industry and company cuts and raises the suspicion that cuts by their own companies may have been taken by many employers as convincing evidence that their industries had cut as whole. With 60% believing that wages should be cut, 31% that they should be maintained, 2% that they should be increased, there is also an interesting correlation among those cutting wages and those believing in cuts.

Favor Shorter Week

Queried on labor schedules, 54% believe working hours per day should not be shortened but 47% favor a shorter working week; 36% want shorter hours, 37% do not want shorter weeks.

Opinion on unemployment insurance was rather evenly divided with 48.5% in favor and 44.6% opposed. Of those in favor 26.4% prefer a national insurance system; 24% would like it handled by trade groups; 45% want individual company plans; 4.6% favor state operation.

General comments gave the history of wage cuts thus: consumers demand lower prices, lower prices require lower

costs, lower costs actuate lower commodity prices including labor. But concerns which have been most successful during the past 2 years have found that the injection of more intelligence into the design, manufacture and sale of their products meets the customers' wishes as well as low prices so that the other elements of the cycles were not called into use.

Building Wage Board Keeps Scale, Cuts Time

FIRST findings of the newly reorganized Impartial Wage Board for the building industry of San Francisco and Alameda Counties (*BW*—Oct 21 '31) are: (1) Same minimum wage scale for 1932; (2) the 5-day week on Jan. 1; (3) 8-hour working day; (4) time and one-half for overtime; (5) double time for work on Saturdays, Sundays, and holidays; (6) emergency work must be registered and can be performed outside regular working hours in 8-hr. shifts; (7) employment of improvers or helpers, except by official designation, is forbidden; (8) ratio of journeymen to apprentices is to be worked out cooperatively by employers, unions, and the Industrial Association.

The Builders Exchange had hoped for a wage reduction in 1932. The board found that decline in living costs had been more than offset by unemployment and part-time work. The 5-day week is expected to provide work for more men and consideration of a 6-hr. day to replace one of 8-hr. was recommended by the board.

The Dutch Beat the Dole; Subsidize Winter Work

PROUD Dutch unemployed are as reluctant to accept a dole as their more fortunate countrymen are to pay it.

Amsterdam has a remedy, tried it out last year and so is reasonably certain it will again be as successful. House owners will have refunded 40% of the wages paid for interior repair and upkeep work done during the winter.

A detailed report on the experiment last winter shows how effectively it operated in Amsterdam. More than 2,000 home owners applied for the refund. Repairs were made on 20,000 dwellings, covering a total of over 510,000 working hours. This created a 15-week job for nearly 1,000 men who received \$220,000 in wages. Nearly \$40,000 was paid by Amsterdam in premiums.



CRANE'S BOND

TRADING UP • Opportunism in Business produced quantities of cheap merchandise to meet a situation of declining quality. Price cutting thrived. Values were slashed. Standards suffered.

Now the tide has turned and the depression has run its course. We are fed up on substandard goods. Quality is again in the ascendant. Standards are being re-established.

The quality of the stationery a business uses is an effective expression of its attitude. The distinction of your business letters written on Crane's Bond is a constant evidence of your confidence in the future . . . and an invitation to all your business contacts to rely upon your good taste, your discriminating judgment, and your financial stability.

CRANE & CO., INC. DALTON, MASSACHUSETTS

California Sends to Texas For a Man Famous for His "No"

**Lynn P. Talley brings to Giannini's
huge creation a reputation for firmness**

DEPRESSIONS are landmarks in Lynn Porter Talley's career. They mean advancement. This time he steps from governorship of the Dallas Federal Reserve to become head of the Bank of California, fourth largest bank in the country. People call on him in troublous times, perhaps because he can say "No"; perhaps because he cannot be budged from his beliefs in face of powerful pressure; mostly because these beliefs are sound.

Financial Horticulture

Mr. Talley moved from the Dallas Federal Reserve governorship to chairmanship of the California institution in early October as a part of the reorganization of Transamerica and its affiliates (*BW*—Sep 30 '31), of which the California bank is the largest. The move grafts a sturdy branch of the strong Texas banking system—with a strain of the cotton plant and the railroad oak—on the nation's largest branch bank vine, product of the famed California climate and A. P. Giannini.

A Texan by birth, Talley has remained in his native state for the first half century of his life. A 3 months' business school training beyond high school made up his formal education. He entered the cotton brokerage business as a stenographer, then worked in the same capacity for the Gulf, Colorado & Santa Fe Railroad.

Helped Start Reserve

The 1902 boom carried him into the banking business, where he so well weathered the 1903-4 and 1907 depressions as to win several advancements. He joined the Federal Reserve system, outgrowth of the 1907 panic, at its organization in 1915. He soon became a deputy governor. Commercial banking's need in the depression of 1921 called him to the vice-presidency of the Southwest National at Dallas, now the Second National.

A Federal Reserve bank struggling with the aftermath of depression and agricultural deflation called him back, as chairman of the board and Federal Reserve agent, in 1923. In 1925 he became governor, a post he held until his recent resignation to go to California.

Lynn Talley's reign over Texas bank-

ing is an epoch in Southwestern finance. When he took office commercial banking was being abused there and elsewhere as banking only can be under the American system of free entry and competition. The adolescent Federal Reserve was regarded merely as a cash box to be tapped in case of need.

Banker Talley became Preceptor Talley, at times even Crusader Talley, campaigner for better banking. He succeeded so well that the Dallas Federal Reserve district was recently called one of the soundest in the nation.

Opposition to reform was of course strong and in 1927 irate bankers set out to get Talley's head. They charged him with lack of sympathy for smaller banks because he would not extend agricultural loans. This opposition was parallel, though stronger, to that experienced by Reserve officials in other agricultural districts. Talley was cleared, reelected.

Modesty marks this heavy set ex-

Southerner who is to play so important a part in Pacific Coast finance. With kindly, friendly eyes looking out from behind spectacles, he explains in a soft voice that his advances during depressions are interesting coincidences, and smiles without comment when asked what makes his counsel so eagerly sought in troublous times. Bankers who have had occasion to oppose him are not deceived by that manner—not more than once. They call him "the man who tamed a state."

His views on banking and its relation to business are positive, though. With a deprecatory "It's hard to analyze one's self," he succinctly put them to *The Business Week* on his recent visit to New York.

"Banking is no mystery. The banker simply must be prepared to pay his depositors. The bank can get plenty of good loans any time."

Bankers Concerned Over Indictment of Officials

BANKERS feel their situation has been further complicated by the indictment of state bank supervisors in New York and Illinois on charges of negligence. The officers are indicted because they did not close certain banks sooner. Apparently they delayed in the hope



ON THE NEW JOB—Lynn P. Talley (left) familiarizing himself with affairs of the Bank of California; Will F. Morrish, senior executive vice-president, and Arnold J. Mount (right) supplying the information

of finding a way to prevent the closings. Were other supervisors to take alarm, from the indictments, their natural impulse would be to close banks immediately a ticklish situation develops. Results might be disastrous.

Close observers feel that the authorities may tighten their policies a little, but only a little, as a result of the indictments. They are doing a fairly good job in time of stress with obviously inadequate staffs and most of them are apt to continue their past policies. Many regret the indictments, holding them due to popular demand to find a "goat," and tinged with politics, even if justified technically.

Bonding Companies Balk At Risk on West Coast

THE surety bond business is suffering from disquieting influences in Pacific Coast states. In California the trouble arose over recovery on a real estate broker's bond in excess of bond's penal sum. In Washington 3 suits on the warehouse bond of a grain company resulted in recovery of about 3 times the bond's penal sum. In Oregon the state corporation commissioner has refused to insert in bonds securing investment brokers' permits a clause limiting the liability to the bond's penal sum and bonding companies are cancelling or refusing to renew.

A suit for about \$75,000 recovery on a \$5,000 bond, brought by creditors of a failed Oregon brokerage firm, makes underwriters apprehensive as to this type of surety business.

Fire Insurance Wants Its Money

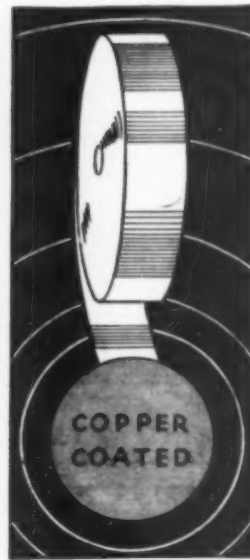
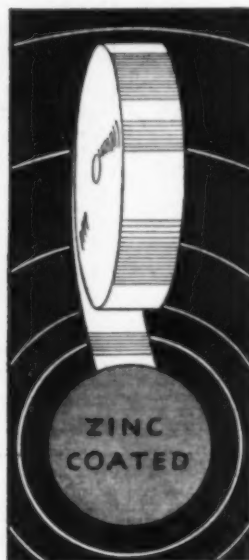
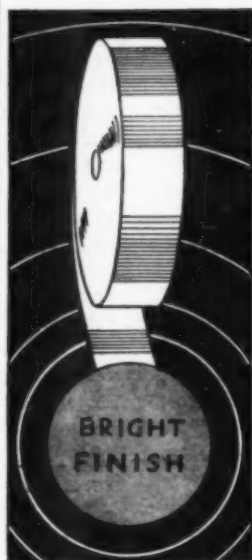
FIRE and casualty insurance companies are now delving into a troublesome problem in their business—the collection of premiums—termed "free-insurance" because in the 1930 fiscal year uncollected premiums in New York City alone totaled \$441,000 for fire insurance, \$1,303,000 for casualty.

On an estimate for the country, this would aggregate over \$25 millions. The National Association of Insurance Agents is now studying the nation-wide experience.

Life companies automatically lapse policies for non-payment of premiums but fire and casualty companies "send a bill." Probably result of the present situation will be the organization of some kind of credit bureau.

**FOR
BETTER
STAMPINGS**

ZINC COATED  COPPER COATED
ThomasStrip
COLD ROLLED STRIP STEEL



IT IS logical to assume that you can improve the quality of your stampings and reduce rejections thru the use of ThomasStrip. ♦ ♦ ♦ ThomasStrip is a product of specialized production, made especially for your needs—governed in every step of manufacture by the required

use for which it is specified. ♦ ♦ ♦ You eliminate the handicap of adjusting your needs to the material limitations of ordinary cold rolled strip steel when you specify ThomasStrip. ♦ ♦ ♦ You will benefit by getting ThomasStrip recommendations, now. ♦ ♦ ♦ ♦

SPECIALIZED PRODUCTION COLD ROLLED STRIP STEEL

THE THOMAS STEEL CO.
WARREN, OHIO

Headquarters for Specialized Production Cold Rolled Strip Steel

FAST

To press Thursday night—on its way to subscribers Friday and Saturday—The Business Week has set a record in periodical publishing.

The news and the advertisements are timely.

THE BUSINESS WEEK

"Time Clock" for Machinery!

Heavy Marks Show Busy Time of Machinery



What Does It Cost You when Machinery is IDLE

for half an hour when it might have been producing? Suppose you could increase its running time merely 10 minutes a day. What would it mean? More than you'll ever save by "little economies."

The big economy in any plant is to increase productive time, if only five per cent.

You don't have to hold a stop-watch to do it. Clamp a **Servis Recorder** right to any machine and leave it there. Leave it all day. The next morning ask for the chart. No mistakes here. Your machinery has automatically written its own story for 24 hours. You can read it at a glance—busy time—idle time.

THE SERVIS RECORDER

"Thousands in use"

Then? Then you *know* just what to do about those stops and delays. Ask for full information—use coupon below.

THE SERVICE RECORDER CO.
Cleveland, Ohio

Write for it TODAY!

THE SERVICE RECORDER CO., B-11
Hanna Building, Cleveland, Ohio
Please send us, without obligation "A BUSY PLANT—But how busy?"

Company.....
Attention of.....
Street.....
City & State.....

Static and Fading Spoil Reception of RCA Peace Terms

PROSPECTS of a peaceful settlement of the government's anti-trust suit against Radio Corp. of America and associated companies, entered early this year, appear to be fading despite the tentative agreement generally believed to have been made a few months ago (*BiW*—Jul 15 '31). While an official version of the first session of the reopened hearings at Washington before Judge Olney is not available, it is reliably reported that, much to the surprise of everyone, RCA representatives said a settlement could no longer be considered on the basis of the original terms.

Hope Still Lives

Hope is not abandoned yet. Neither the government nor RCA appears to be anxious to become involved in an actual suit and every possible means will be used to avoid such a step. It is reported that negotiations by RCA have been removed from the hands of those to whom they were originally entrusted and placed in charge of the group's highest officials.

The government's suit is designed to dissolve the RCA group and return its operations to the individual companies. As an alternative to the suit the government is understood to have proposed a voluntary arrangement among the defendants that would accomplish 3 objectives:

(1) An open patent pool to control all patents in the radio industry and make them available to all who would use them on equal terms.

(2) Revision of the patent agreements now existing among the several companies to eliminate exclusive provisions.

(3) Abandonment by RCA of its exclusive traffic agreements in the field of radiotelegraphy. This is aimed chiefly at present RCA arrangements with many foreign radio monopolies for an exclusive interchange of traffic.

Change of Heart

During the summer a statement from the usually reticent Department of Justice indicated that RCA had tentatively accepted these terms. When the 2 parties met a few days ago to give them effect RCA had changed its mind. It is reported that the third clause relating to exclusive traffic agreements is causing most of the trouble.

Behind the government suit, supporting it and threatening to take over

the job if the government fails, is the \$30-million triple damage suit filed by Grigsby-Grunow Co., makers of Majestic radios, which is being prosecuted by former Senator Reed of Missouri.

Should the government press its suit and win, the Grigsby-Grunow damage claims would become payable almost automatically. Should the government drop the suit there is every reason to believe Grigsby-Grunow will seek independent action in the courts. Recent developments in which RCA was compelled to pay large damages over tube patents (*BiW*—Jun 3 '31) have increased the belief of Grigsby-Grunow that it can win its suit.

Events of the next few days will be watched carefully by all radio interests. The outcome of the RCA difficulties will be of tremendous importance to the rapidly growing industry which depends upon electron tubes.

Oregon Watches Leases For Gas Exploration

ACTIVITY in leasing land in Willamette Valley south of Portland, Ore., for natural gas exploration may forecast serious drilling effort. Interests connected with Northwestern Natural Gas Corp., principal Washington producer and distributor of natural gas, have leased acreage directly west of Portland, while Portland principals have large tracts leased south of Forest Grove, and in Rickreall section.

Gas in commercial quantities has never been found in Oregon, wherein oil and gas possibilities have been denied by geologists. In isolated farms natural gas has been in household use since 1914.

New Molding Compound Takes Bright Colors

A NEW heat-reactive molding compound called Plaskon, easily preformed and cured in a relatively short time, has been developed at Mellon Institute and is being produced commercially by Tolco Synthetic Products, Inc. Fabricated Plaskon combines bright colors with a hard lustrous surface. Its base shade is neutral and translucent permitting any color, either opaque or translucent.

Wide Reading

WHERE THE MONEY GOES. Agnes Rogers Hyde. *Harpers*, November. What 20 New York families do with their incomes. Excluding rents, the figures fit any metropolitan area. Interesting to the casual reader; significant for the advertiser and salesman.

RAILROAD UNIFICATION IN NEW ENGLAND IN RELATION TO THE FOUR-PARTY PLAN. Winthrop M. Daniels. *Harvard Business Review*, Autumn. Pennsylvania holdings in the New Haven are no menace. Some other propositions are absurd. An attempt to see the New England situation without bias.

IS THIS A LOGICAL PLAN OF HANDLING THE ADVERTISING AGENCY SALARY PROBLEM? E. B. Weiss. *Printers' Ink*, Oct. 15. Story of a "salary-and-reserve" plan built by an advertising agency over 14 years.

TRENDS IN LIGHTING. K. Lönberg-Holm and H. L. Logan. *Architectural Record*, October. What's new in lighting at home and abroad.

A FOREIGN ECONOMIST REVIEWS TRENDS IN AMERICAN-EUROPEAN COMMERCE. Alberto Pirelli. *Executives Service Bulletin*, October. European purchases of American goods have increased more, relatively, than purchases in all other foreign markets—a symptom pointing to better business for American exporters as soon as European purchasing power shall have recovered.

PANIC. *New Republic*, Oct. 28. An editorial on hoarding, a major symptom of our economic disease.

CYANAMIDE PRODUCTION COSTS REDUCED BY MODERN EQUIPMENT. James A. Lee. *Chemical & Metallurgical Engineering*, October. First-hand technical account of an industry about which little has been written.

SYSTEM BUSINESS EQUIPMENT DIRECTORY. *System*, November. Handy, up-to-the-minute directory for office managers, accountants, purchasing agents.

THE DEPRECIATION OF THE POUND STERLING AND ITS EFFECT UPON EXPORT ADVERTISERS. Joseph Kastner. *Export Advertiser*, October. Interesting and important views clearly defined.

DISARMAMENT OR DISASTER. J. William Terry. *North American Review*, October. What must the February conference do to succeed? What will be the position of the United States?

BOOKS

FRANKENSTEIN, INCORPORATED. I. Maurice Wormser. McGraw-Hill, 242 pp., \$2.50. Corporations today control almost all business. A remedy for the evils in corporation structure is proposed. Vital, advanced discussion of a topic rapidly sweeping into the stream of business.

GRAFT IN BUSINESS. John T. Flynn. Vanguard Press, 318 pp., \$3. Commercial bribery and corporation graft exposed, with evidence.

THE COURSE AND PHASES OF THE WORLD ECONOMIC DEPRESSION. Report to the Assembly of the League of Nations. World Peace Foundation, 337 pp., \$3.

CURRENT CONFLICTING VIEWS ON UNEMPLOYMENT INSURANCE. T. H. Hall. National Research Bureau, 156 pp. What 101 authorities have said on 12 questions relating to unemployment insurance.

A Model Bottling Plant for Coca-Cola

THERE seems to be no end to the increasing call for "the pause that refreshes." In keeping with the requirements of this demand, the Coca Cola Company has set up standards of quality, uniformity and cleanliness.

Embodied in this recently completed bottling plant are all the health-protecting features of sanitary machines and filling equipment, as well as a factory layout planned and designed for economical and convenient operation, easy and rapid shipments for local and more remote distribution.

Loading platforms, garage and service station all form part of the completed plant. The architecture and beauty of the grounds combine to uphold property values on the boundary between the business and residential section.

This is one example of the wide diversity of structure designed by and built under our supervision for an equally varied clientele.

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Lower Broadway, New York—Guaranty Trust Company's Buildings at left

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Britain Swings to Right And Toward a Tariff

EUROPEAN NEWS BUREAU—Flags waved, stocks rose, sterling sold up, and world confidence in Britain stiffened when London flashed the news of the overwhelming majority of the National government in the elections. Stressed, however, was the "success of the Conservatives," the prospect of "Tory protection," the "end (for the present) of socialism in England."

As it stands, the National government, headed by Ramsay MacDonald but dominated by Stanley Baldwin, is returned.

What It Means

A short interim of coalition government between the strict Labor régime and the election was long enough to point out probable policies of the new government. Likely to ensue:

(1) Carrying out of the economy program inaugurated in September (BW—Sep 16 '31). Important items are the 10% cut in the dole, salary reductions in the civil service, increase in the income and surtaxes, fresh internal and customs revenue taxes.

(2) Stabilization of the pound. First estimate placed the probable value as low as \$3.20. Recent strength has been around \$3.90, and interest expressed in Paris and New York has encouraged some economists to anticipate stabilization at the old parity of \$4.86.

(3) Calling of an international conference on war debts and reparations. The National party was pledged to this.

(4) Inauguration of tariffs. Anticipation that a strong revenue tariff would come first, and that it might even take the place of a purely protective tariff, gave way, with the Conservative sweep, to the belief that Britain was due for a strong protective tariff, and soon.

High Tariff Expected

It is too early to speculate with any surety on the height of the tariff. But many business men are now looking for a 33½% tariff with a preference to the Dominions. Certainly the long-postponed Ottawa imperial conference now has fresh reason to convene.

Britain is anticipating early inquiries from American and other manufacturers for factory sites on the right side of the probable tariff wall. Already more than 200 queries have come from Sweden. Liverpool and the North quote specially favorable terms in the hope of diverting incoming industrialists from the South, which has the advantage of lower local taxes as it has had no mass of unemployed to support.

Business Abroad—Swift Survey Of the Week's Developments

Both the Hoover-Laval conversations and the British elections have reacted favorably on business though the important, ultimate results from neither are definitely known.... British production is speeding up rapidly. Unemployment is declining.... French business is lagging but there are hopes of closer commercial accord with Germany.... Central Europe is slightly less pessimistic but still worried over the future of exports.... Japan is making further aggressive moves in Manchuria, threatening any Soviet interference.

Changed Trends Rouse European Speculation

EUROPEAN NEWS BUREAU (Radio)—The sweeping victory of the National government in Great Britain, and the continued expansion of industrial ac-

tivity which already has resulted in an unemployment decrease of 86,000; some relaxation of the German exchange crisis and of the strained position of the Reichsbank; the initial disappointment over the intangibility of the Hoover-Laval communiqué but the later belief that the announcement cloaks a more definite understanding regarding future procedure which will be designed to lead to a scaledown of reparations and war debts—these reactions have been features of the business week in Europe.

Chief among the questions raised by these various developments:

- (1) What policies will Britain's National government adopt under its blank-check mandate? (Tariffs are taken for granted but their extent or kind are entirely unknown.)
- (2) What recommendations will Laval make on his return to France?
- (3) Will Germany now invoke the

special Young Plan emergency provisions permitting a 2-year suspension of the transfer of postponable reparations (but requiring continued payments of total reparations in Reichsmarks)?

(4) Will Laval then convoke a conference of reparation creditors to consider Germany's capacity to pay?

(5) Will the United States re-examine war debts if reparations are reduced without first arriving at some disarmament agreement?

Numerous Uncertainties

Although foreign confidence will be strengthened by the British elections, and though the recent slight improvement in German economic affairs is welcomed, general conditions have not improved, and they remain subject to numerous uncertainties.

Uneasiness over conditions in the United States again is resurgent, despite recent evidences of closer Franco-American collaboration to support the gold standard.

Too, exchange restrictions have been adopted in so many European countries that they are beginning seriously to interfere with normal trade. In many cases they are so drastic as to act as virtual embargoes on all but absolutely necessary imports. As evidence of the seriousness of the situation, a meeting has been called at Prague, on Nov. 3, of the experts of all of the countries concerned. Sitting in conference in the Czechoslovak capital they will make a desperate effort to unify the various practices which have been adopted and establish some system for clearing foreign exchange. Opposition of the Reichsbank, however, which fears any relaxation of its exchange control will undermine its precariously held position, renders the success of the Prague conference doubtful.

Markets Irregular

Both commodity and stock market movements, though not reflecting any particular weakness, have been uneasy and irregular.

Eastern Europe continues to be the scene of many difficulties. Last week saw the failure of Marmorosch, Blank & Co., Roumania's largest private banking house. It was a shock even to the part of the business world familiar with its present difficulties because it was fully expected that this institution would continue to receive official support.

Yugoslavia is expected soon to declare a domestic moratorium, in spite of recent French aid in the form of a \$12-million loan.

The recent report of the Finance Committee of the League of Nations,



THE PROTESTING 100,000—To the music of 20 bands, civil servants and their families marched in protest against imminent salary cuts in the greatest parade London has ever seen. Significant was one banner: "90 per cent of us receive less than 43 shillings a week." With the election of the Nationalists assured, they probably paraded in vain

though admitting Hungary is unable to repay now its short-term debts (valued officially at \$250 millions and entirely separate from \$500 millions of long term obligations), denies it is necessary for Budapest to declare a moratorium but recommends further drastic cuts in Hungarian imports and in government expenditures. American bankers are now in the Hungarian capital seeking a guarantee from the National Bank in return for a prolongation of credits.

France has placed \$12 millions with the Bank for International Settlements which it is expected the Basle bankers will re-extend to Austria, thus affording momentary relief to this financially hard-pressed country. In the meantime, the auditors' reports on the Credit-Anstalt are still incomplete so its true position remains obscure. It is known, however, that the Anstalt is selling its best assets which reduces the liabilities guaranteed by the government but weakens the equities of its creditors.

Cartel developments are again making news. Most striking is the formation at Basle of the Alliance Aluminum Co. which for the first time reconciles European and U. S.-Canadian interests. Its somewhat vague articles of incorporation "for the promotion and expansion of aluminum sales" means, in effect, the establishment of a world trust replacing the former European cartel which included in its membership Germany, France, Britain, Switzerland, and Norway, and which will now be liquidated before the end of the year. The comparatively large capitalization of the new organization—\$7 millions, subsequently increasable to \$13 millions—indicates, it is believed, that an important function of the alliance will be the financing of stocks, though it is not proposed to increase the present cartel price of £85 (gold) per ton.

Coincidentally, there has been announced the formation in London of Consolidated Platinums as exclusive distributor for the principal Canadian, South African, Colombian, and Russian producers.

The wire cartel has been prolonged until 1926. The rail cartel is expected to prolong its life to 1935.

The zinc cartel has cut production 55,000 tons a year, or from 50% to 45% of the so-called basic rate.

The European nitrate cartel has made arrangements to liquidate. At the final conference, Chilean producers were not represented. European members—Britain, Germany, Norway and Belgium—made no proposals to revive the cartel but agreed to continue to cooperate.

France Is Reassured By Laval's Visit Here

France is satisfied with Laval's accomplishments at Washington... Franco-German negotiations now expected to revive... Business still lags. Unemployment is greater.

PARIS (*Radio*)—Both the outcome of the Laval visit to Washington and the British elections have occasioned mixed feelings, though the net results are gratifying.

French satisfaction from the Laval pilgrimage is confined to the not altogether empty accomplishment of having "surrendered nothing." Not a few fears are relieved that France's "freedom of action" was in no way compromised by the "dangerous" conversations with the American President. But over all there is a disappointing realization that these very limitations which hedged the Hoover-Laval conversations allowed neither country to gain anything concrete.

Premier Is Approved

The outcome, nevertheless, has strengthened both Laval's political position and the prospect for further direct Franco-German negotiations. The French are now confident that the U. S. will neither bring pressure to bear on them in the cause of Germany, nor take any unexpected initiative similar to the Hoover bombshell last June.

Similarly, German demands for reparations revision under provisions in the Young Plan (which are expected in the not distant future) will probably be better received in France. French intransigence all along is said to have been due to a feeling that there have been too many attempts at outside dictation. This now is mitigated. Also, the realization gradually is growing that reparations and war debts are among the causes of world depression, and that their modification—the very suggestion was anathema to France only 6 months ago—is among the prerequisites to any revival.

British Elections

The results of the British elections mean to France the prospect of sterling stabilization, and greater security for French assets in England, but also of tariffs and resulting serious trade restrictions.

Domestically there are no striking developments this week. Financial easiness is less marked, but the intensification of industrial and business depression continues. Registered unemployment jumped 7%. The increase

in interest rates on national defense bonds from 2½% to 3% is considered preparatory to a bond issue and possibly to further government financing.

The Minister of Agriculture has denied reports that the French government is negotiating for the purchase of Farm Board wheat, while the country's leading agricultural weekly has declared that Eastern European supplies this year can meet the entire French deficiency. The import of tinned meats, which come largely from America, has been prohibited by decree effective Oct. 28.

After Soviet Business

According to current reports, a company with a capital of 500,000 francs is being formed with the aid of the Confederation Générale de la Production Française, one of the largest French industrial associations, which is especially interested in renewing relations between the Soviet government and French industry.

Until now the difficulties of renewing Franco-Russian industrial relations seem to have converged on the question of financing credits for Russian orders. However, since French exports to Russia are much smaller than imports from that country, it is thought possible that some arrangement can be reached whereby orders can be "washed" through a central bureau.

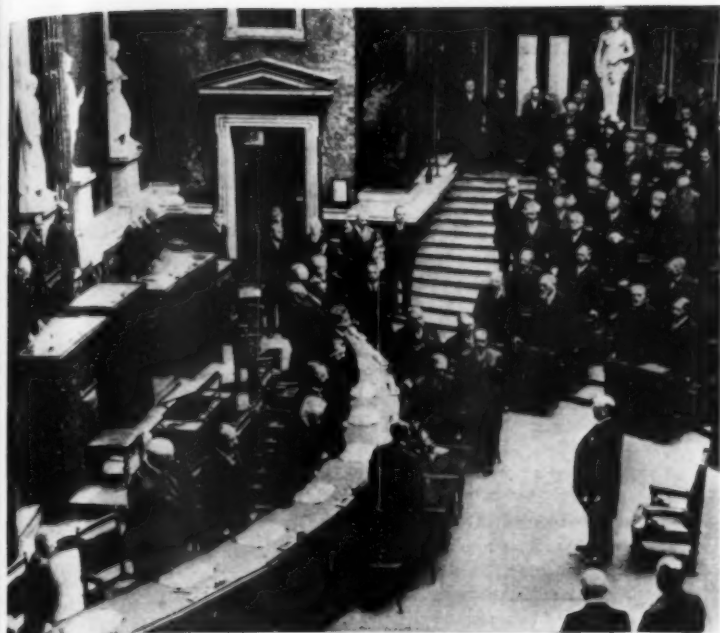
Germany Draws Comfort From Domestic Gains

German business disappointed by Hoover-Laval talks, but encouraged by slightly better domestic prospects... Failure of largest brewery reveals fresh scandal.

BERLIN (*Cable*)—The outcome at Washington of the Laval-Hoover conversations was a matter of acute disappointment to Germany. Prevailing feeling here is that Germany now is left to the mercy of France.

Despite the gloomy political outlook, the undertone of business sentiment is slightly more confident. It is supported by the recovery of German gold bonds on foreign bourses, by the favorable status of the Reichsbank with only \$1,600,000 as the week's foreign exchange loss, by the quarterly report of Farbenindustrie which still shows remarkable power and resistance mainly due to well-maintained exports. Dye exports made up 60% of total sales.

On the other hand, fears are expressed that the improvement in the



Wide World

ECONOMY ELECTION—To save half a million dollars, hard-pressed Austria foregoes its popular election, and former President Wilhelm Miklas is elected again by Federal Assembly (both houses of Parliament). Here, he is standing before the chair at the lower right, to be sworn in

Reichsbank is artificial and due only to the temporary effect of tightened foreign exchange regulations. Business also is apprehensive over the possible reaction against the growing German export menace, and the probability of a tariff following the National government's victory in England.

Finally, improved sentiment is marred by the fresh financial scandal in the Schultheiss concern, the continent's largest brewery and reputed to have been among Germany's strongest companies financially. A \$14-million loss was caused by the president's personal speculations. There is a striking analogy to the Nordwolle case, and unfortunately both are typical of the low standard of morale among high executives in German corporations, who are unchecked by effective control from shareholders or independent auditors.

Election Results Make John Bull Bullish

Business is cheered by election results... Unemployment declines rapidly... Prospect of tariffs likely to draw foreign manufacturers... Small independent truckers combine to fight railroads.

LONDON (Cable)—The crushing defeat of labor (page 28) has heartened

business which now expects 5 years of strong, stable, economic government, with tariffs likely early in 1932.

The continuing drop in unemployment at this season is due mainly to suddenly increased activity in the cotton and wool trades. With confidence engendered in the elections a further drop is expected next week. It is now confidently expected that the 6-months boom will release long frozen capital issues, thus revivifying the investment markets.

Branch Plant Inquiries

Protection prospects are attracting foreign manufacturers. There were 200 site inquiries from Sweden alone, with many possibilities of mergers with existing English companies heretofore competing with foreign producers.

Great interest is being shown in the international conference for foreign exchange which has been proposed by the international Chamber of Commerce. Forward exchange operations are now hindering Britons who are unused to these transactions but who are unable to adhere to sterling quotations.

There is general disappointment that the Laval-Hoover talks give no assurance of a large scaling down of debts or long moratorium. The conviction is growing that these steps are essential to resettlement of the world currency position, no less than to world trade

revival. It is expected that united business pressure will be placed on the new government to make this the forefront of its foreign policy.

New Royal Mail Plan

A reconstruction scheme for the Kysant (Royal Mail) lines is expected shortly, including decentralization of individual services, and disposal of units as prices permit, but with an endeavor in each case to secure British purchasers.

Small road transport firms have formed a new commercial company with the object of fighting the menace of railroads, and in an attempt to acquire a monopoly on the roads. This is likely to lead to a rate war during boom months. The development is interesting in comparison with Germany's new law which favors the railroads (page 10).

Low Prices, Small Demand Curtail Latin Activity

Business is dull... Chile may declare a complete moratorium... Argentine outlook brightens.

THE Latin American business outlook has changed but little during the week.

Decreased purchasing power in Cuba, resulting from inactive sugar and tobacco markets, continues to retard business. The economic outlook in Argentina is somewhat brighter as a result of heavy cereal exports at increasing prices. Imports into Brazil are practically at a stand-still, due to the difficulty experienced by importers in purchasing foreign exchange.

Curtailed activities prevail in Colombia, but coffee prospects are good in several departments. In Venezuela, business remains unchanged with import buying confined to immediate needs. Low export prices and increased unemployment have affected adversely the business situation in Peru. Business in Ecuador continues slow and general economic conditions are unimproved.

Coffee Off in Nicaragua

The outlook in Nicaragua is unfavorable, due to prospective small coffee crop, at probably low prices. The depression in Honduras has been intensified by decreased government revenues and difficult collections. Porto Rican business remains dull but fairly steady, and credit conditions are generally satisfactory.

Chile's Mixed Commission of Congress, highest financial body connected with the Legislature, has recommended

FACT OR FRIENDSHIP



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EUROPEAN NEWS

You will find the salient features of the week's news of business abroad in *The Business Week*. This publication maintains its own foreign bureau and a corps of observers and correspondents in the principal foreign capitals and strategic business centers.

Flashed by radio and cable, carefully checked and edited, these foreign despatches represent a costly but notable and characteristic contribution to the needs of business executives.

**THE
BUSINESS
WEEK**

a moratorium on the payment of all banking, legal and private obligations. Despite prominent backing, the mass of the country's business men contend it may prove fatal to the economic structure of the country.

Fresh Japanese Aggression Unsettles Far East

Tension renewed in Far East. . . Japan warns Russia to keep out of Manchuria. . . Foreign exchange sales restricted in Tokyo. Government declares gold embargo improbable.

BUSINESS in the Far East is tense again. Japan has refused to accept the League's dictum to vacate Manchuria and negotiate with China later. To Tokyo, Nanking is as guilty of precipitating the deadlock by refusing to recognize existing treaties.

To this new complication, is a threat from Moscow. Russia has definite and vital interests in the Chinese Eastern Railway. Northern Manchuria has always been recognized as being more or less a Russian sphere of economic influence. Moscow is reported to have assembled troops and equipment at the Siberia-Manchurian border. Further moves are likely to depend on how far north Japan pushes present activities.

In Japan, conditions are unsettled. When Japanese bonds declined in New York last week, they were bought liberally by Tokyo investors with the result that prices have since been restored almost to the previous levels. Yen exchange is down. Tokyo insists no gold embargo is contemplated but authorities on the spot insist there is no longer a free gold market in Japan. Banks are said to be working under close agreement not to sell foreign currencies. It is impossible to buy dollars except in small over-the-counter business. Bills arising from genuine trade, however, are being handled at fixed rates. Money rates are up.

Smaller Foreign Trade

Foreign trade for the first 10 days of October remains favorable but the volume is small. Exports totaled only \$12 millions; imports less than \$10 millions. This is half the volume for the corresponding period last year.

Confidence is lacking in business in the Netherland East Indies, and the turnover in practically all lines is at unprecedentedly low levels. A slight improvement in Philippine business was noted in October, but prices for copra and abaca continue downward.

The Figures of the Week And What They Mean

The conclusion of the Laval-Hoover conversations finds business activity little stimulated. . . . The *Business Week* index has fallen below 70% of normal activity for the first time. . . . Railroad dividend reductions have been forced by the continuing decline in traffic. . . . The report on steel earnings was not unexpected. . . . Electric power production again declined below the 1928 level. . . . Building awards remain below the September average with particular weakness in public works awards. . . . Check payments are small in volume. . . . Activity in the non-ferrous markets was in sharp contrast with the sagging tendency on the stock exchange. . . . Wheat, cotton and lead prices strengthened, while pressure for concessions weakened many steel prices.

THE irregularity of steel operations in the various districts resulted in insignificant

changes in the operating rate of the industry as a whole. Dow, Jones estimates a slightly better rate than 28% of capacity for the week of Oct. 26 compared with something under that rate the preceding week. The adjusted index remains at 40% of normal.

The ever-receding rosy future to which the steel industry has looked to cover up the gloom which the past produced seems as uncertain today as yesterday. The "improvement in sentiment" is apparent only to steel leaders, as little encouragement can be gleaned from the reports on operating ratios, volume of orders, or earnings statements. The *Iron Age* can report no more than "moderate gains" in orders for bars, sheets, wire products, tin plate, rails and track supplies. Offsetting these gains are the declining requirements for structural steel, plates, and pipe, which heretofore have been the mainstay of the industry.

The automobile industry lags in its

placement of orders, probably waiting for a word from Mr. Ford, whose production date has been postponed to the middle of November, according to the latest rumors. Output of cars in the United States fell to 140,566 units in September compared with 187,197 the preceding month, a decline of 25%. Passenger cars declined 30%, while sales in 45 states indicate a decline of over 28% from August. Employment at Detroit as of Oct. 15 fell to 46.1 compared with 51 at the end of September, and 78 a year ago. Additional shut-downs for inventory and new model preparation have increased to 9 the number of manufacturers out of production.

Rail Rate Decision

Disappointment over the rail rate decision is expected to deter rail buying. A few small orders have dribbled in to some steel plants. The steel industry now feels that the rates suggested will be too small substantially to aid the roads or to stimulate the buying of other steel consumers.

Structural steel developments have been disappointing in October. The Census Bureau reports September-fabricated structural steel bookings above

THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY.....

Production

Steel Ingot Operation (% of capacity).....	28	28	50	72
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis).....	\$8,967	\$9,286	\$14,364	\$20,207
Bituminous Coal (daily average, 1,000 tons).....	*1,358	†1,308	1,538	1,815
Electric Power (millions K.W.H.).....	1,647	1,656	1,747	1,619

Trade

Total Carloadings (daily average, 1,000 cars).....	127	127	155	187
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	82	84	102	118
Check Payments (outside N. Y. City, millions).....	\$4,170	\$3,625	\$5,528	\$6,273
Money in Circulation (daily average, millions).....	\$5,523	\$5,494	\$4,482	\$4,799

Prices (Average for the Week)

Wheat (No. 2, hard winter, Kansas City, bu.).....	\$4.48	\$4.47	\$4.76	\$4.14
Cotton (middling, New York, lb.).....	\$0.068	\$0.065	\$0.112	\$0.165
Iron and Steel (STEEL composite, ton).....	\$30.68	†\$30.76	\$32.06	\$35.49
Copper (electrolytic, f.o.b. refinery, lb.).....	\$0.068	\$0.068	\$0.093	\$0.138
All Commodities (Fisher's Index, 1926 = 100).....	68.5	68.2	82.7	94.0

Finance

Total Federal Reserve Credit Outstanding (daily average, millions).....	\$2,255	\$2,169	\$1,007	\$1,314
Total Loans and Investments, Federal Reserve reporting member banks (millions).....	\$21,289	\$21,501	\$23,383	\$21,784
Commercial Loans, Federal Reserve reporting member banks (millions).....	\$7,635	\$7,679	\$8,581	\$9,003
Security Loans, Federal Reserve reporting member banks (millions).....	\$5,906	\$6,001	\$8,135	\$6,997
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions).....	\$869	\$884	\$2,512	\$3,781
Stock Prices (average 100 stocks, Herald-Tribune).....	\$102.54	\$102.76	\$145.03	\$149.14
Bond Prices (Dow, Jones, average 40 bonds).....	\$84.58	\$85.01	\$95.90	\$95.93
Interest Rates—Call Loans (daily average, renewal).....	2.5%	2.1%	2%	4.5%
Interest Rates—Prime Commercial Paper (4-6 months).....	3½-4½%	2½-4½%	3%	4.7%
Business Failures (Dun, number).....	551	532	491	457

*Preliminary

†Revised

those of the past 4 months. Shipments declined.

With additional building data covering the first 18 business days of October showing no improvement over the first half of the month, hope that the usual fall improvement would occur evaporates. Total contracts awarded now total \$156,116,400, equal to a 13.6% decline from the September daily average. Our adjusted index for the week ending Oct. 16 declined to 48% of normal compared with 50% the preceding week, with prospects that the decline will continue in the following week.

Nearly half of the October awards comprise non-residential building, but the gain that appeared in the first half of the month over September turned into a 4% decline when the third week reported. Public works and utility awards made a better showing at the end of the 3-week period, being 37% under the September daily average compared with nearly 50% at the end of the first 2 weeks. Practically no change was reported in the standing of the residential contracts, which held 3.7% ahead of last month.

Bituminous Coal

Bituminous coal output has been gaining steadily since April in accord with the usual seasonal expansion. The adjusted index for the week of Oct. 17 rose to 61% of normal compared with 58% the preceding week. Anthracite production increased 23% over the week of Oct. 10, reaching a figure that has been exceeded only twice this year.

Another disappointing showing was made by the electric power production data. A decline from the preceding

week increases the unfavorable comparison with every year since 1927. The sharp drop from 1930 finds a partial explanation in the difference in temperature, since this year has been exceptionally mild while last October was cold. But the decline from the preceding week appears to reflect chiefly the curtailed level of industrial activity. The decline was not sufficient to change our adjusted index which remains at 84% of normal.

Car Loadings

Freight car loadings for the week of Oct. 17 continued to turn downward from the peak established 2 weeks ago. While there were heavy increases in coal shipments, as well as in a number of other classifications, the sharp decrease in miscellaneous freight coupled with a sizable shrinkage in merchandise less than carlot and ore shipments swung the total loadings toward the usual seasonal decline. Our adjusted index based on the 2 groups which most nearly represent the trend of trade activity declined one point to 65% of normal.

A 13% rise in bank debits for the week of Oct. 21 was less than the usual recovery and when coupled with the severe decline of the preceding week served to bring our adjusted index to a new low of 73% of normal compared with 81% the preceding week. The growing tendency to use cash instead of checks is becoming apparent in the small volume of bank debits.

A slackening in the rate of increase of currency in circulation may indicate some lessening in the hoarding tendencies of banks and individuals,

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

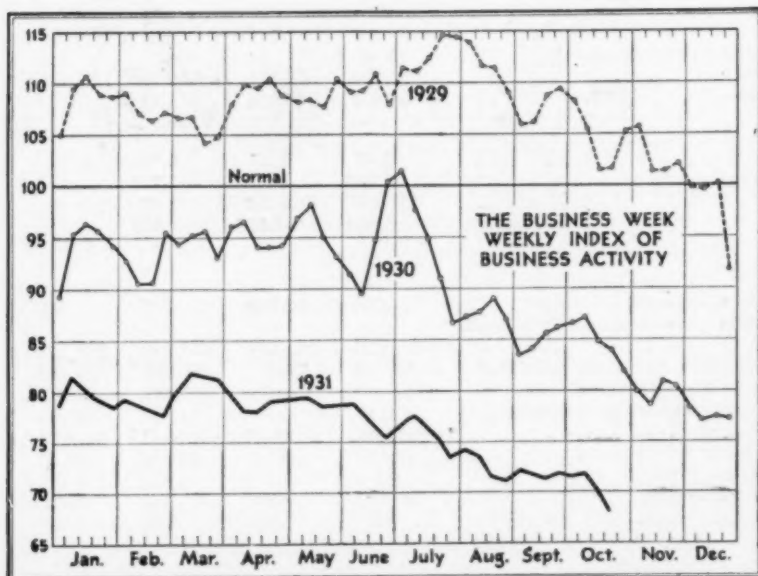
though the gain of \$29 millions in the daily average circulation for the week of Oct. 24 has lifted the volume outstanding above \$5.5 billions. Our adjusted index revised for a further decline in the cost of living index has reached the extraordinary height of 38% above normal.

Commercial loans continue to contract, reaching a level below any week in the past 7 years. This series adjusted stands at 7% above normal compared with 8% above normal the preceding week.

Commodity prices continue to show signs of strength, particularly in the grain, cotton, and lead markets. The non-ferrous markets had an exceptionally active week, even for normal times. Copper held at 7¢ delivered with the large producers entering the market. Foreign sales of copper will be the best since June. Demand for lead brought tonnage to nearly the record week of last June, with the price lifted from 3.75¢ to 4¢. Consumers are covering near term requirements and are also buying for speculative purposes. Zinc weakened, tin and silver were dull.

Wheat prices have had a steady rise since the lows of early October. Foreign inquiry and the lack of moisture in the West stimulated demand. Talk of possible wheat and cotton sales to France was reported. Other grains were carried forward by the strength in wheat.

Cotton prices have been irregularly upward. Silk, rubber, sugar, and cocoa prices have been irregular. Coffee prices strengthened. Steel prices are under pressure, especially in automobile centers.



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Fact No. 2

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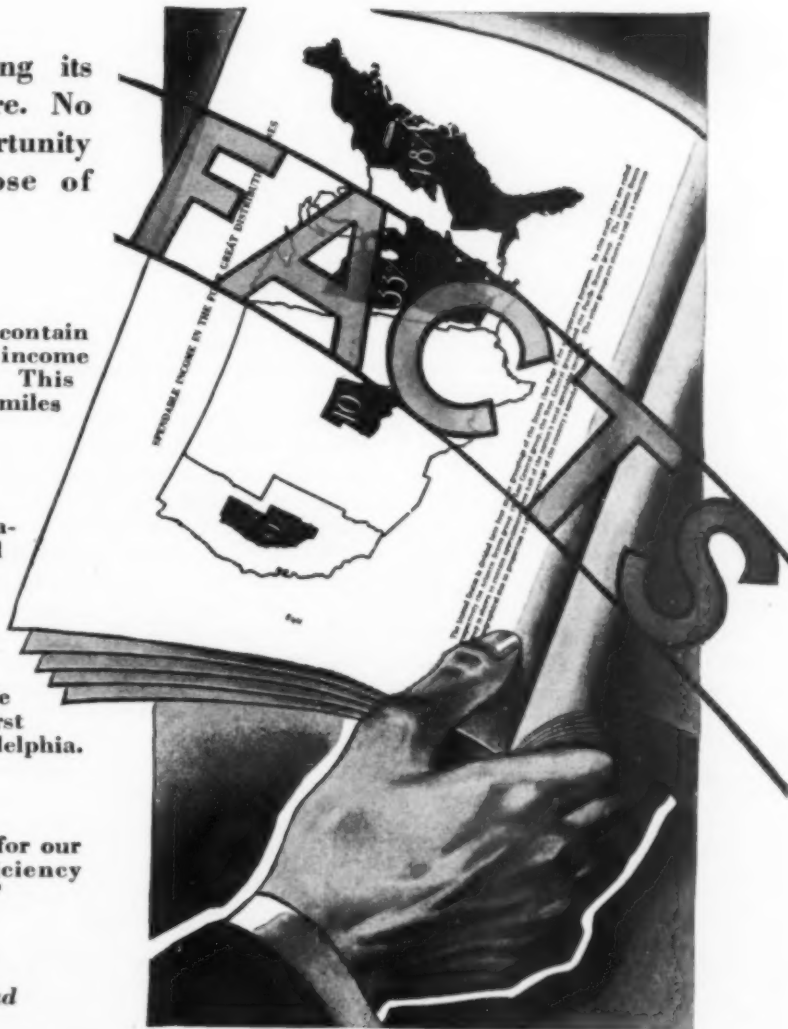
Fact No. 3

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Trends of the Markets

In Money, Stocks, Bonds

Confidence in the banking structure grew both here and abroad. . . . Hoarding was checked. . . . Bonds of all types except foreigners were weaker. . . . Stocks declined steadily in disappointment at the interpretation Wall Street gives to developments.

Credit Figures Show Confidence Is Reviving

STRONG evidence of growing confidence in the banking structure appeared this week, together with marked signs of a lessening of the tension and strain on banks in all but a few districts.

The wave of hoarding which temporarily threatened the very existence of the banking structure in late September and early October, has not only ceased to come in, but receded a little this week as currency circulation fell off \$24 millions from Oct. 21 to Oct. 28.

Foreigners regained more confidence following the start last week. Though they continued to take gold, the loss of \$49 millions this week was much smaller than in those immediately preceding. The dollar appreciated in all important currencies except the mark. Its further depreciation in the South American, smaller European, and German units was not a question of con-

fidence, but was due to serious financial conditions in those countries. And foreigners with balances at sight here continued to reinvest them in short-term securities.

Bank deposits in New York rose slightly following the drastic \$450-million liquidation of recent weeks, a liquidation which carried the nation's bank credit to the lowest levels since late 1927. Bank pressure to liquidate security loans, which has been an important cause of security price weakness, was lessened, the small decline in these loans being probably a normal occurrence due to weakness in prices from other causes.

Only in some sections outside of New York was the pressure on banks apparently continued. These banks continued to borrow heavily from the Federal Reserve, and they continued to lose reserves.

Federal Reserve policy was aimless and unconstructive as it let the volume of Reserve credit decrease, permitting a decline in member bank reserve balances. This is deflationary.

The decline in money in circulation and in deposits of foreigners for reinvestment about equalled the gold outflow. Had the volume of Reserve credit been maintained the reserves of members should not have been forced to

decline. Instead the Federal's bill holdings dropped \$45 millions, which more than offset the rise in borrowing.

Stock Market Dроops As Stimulus Wears Off

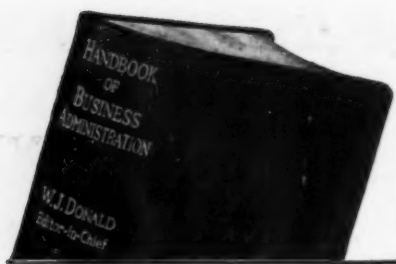
THE steady decline of stock prices this week reflected the disappointment of the few optimists who expected definite developments from the Hoover-Laval conversations, reactions to increasingly unfavorable railroad earnings, disheartenment at the turn of railroad developments, and uneasiness over the prospects of a British tariff, unsteadiness in bond prices, disquieting banking discussions, and bleak dividend and industrial earnings reports.

More encouraging developments, from which hopeful ones were squeezing a few drops of cheer, were ignored by the market as a composite though they doubtless stimulated some buying. These included the continuing rallies in the prices of several commodities, especially wheat, the maintenance of U. S. Steel's common dividend, the election's blow to radicalism in England, more consideration for real estate relief, and signs of returning confidence.

Declines in prices were fairly general. The chemical, utility, oil, and store stocks showed a smaller percentage loss than other groups.

The effect of the stimulant administered to the market by President Hoover's war payments moratorium in June lasted about 4 weeks. A similar





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JAMES W. DUBLIN, Rtd.

Private Audition of American Citizen Talking to Himself

WELL, just another Tuesday morning. . . . What lousy mail! Nine circulars, three bills, one life insurance premium and a jolly little invitation to a harvest moon get-together at the club. . . . Yes, sir! the frost is on the pumpkin. . . . And how!

I can't stand this pent-up sensation much longer. . . . What the hell is the use of being a vice-president if you feel so pent-up? I don't believe I even look like a vice-president any more. . . . Day after day, week after week, what do I do? I crawl out of bed in the morning and stuff a clean shirt with myself. That's what I am—a shirt stuffer. . . . I wonder if everybody has that pent-up sensation?

I don't know as I ever worked any harder than now. . . . But it doesn't get anywhere. Just comes and goes. . . . Papers, papers, papers! . . . If anybody writes me a memo today I am going to bust him in the nose and tell him: "What do you think this place is, a bucket line? Does it take ten people to decide every pee-wee what-you-may-call-em that pops up?" . . . The way to handle a detail is to stop it some place and kill it off. Not let it run all over the building and crawl on everybody like a bug.

I wish somebody would call me up. Somebody from Morgan's office. Or Swope. Or Rockefeller. Or Ford. . . . Tell me I got to go to London by the next boat.

Wonder what the directors talked about yesterday. . . . They filed out like a lot of pall-bearers. . . . But not pall-bearers who felt real bad. . . . Bet every one of those boys have been selling the market short for months. . . . Some guys still got fun.

I have to laugh at Joe Twiltch. . . . Hasn't had his salary cut yet. It's getting on his nerves. . . . Goes around with that scared, expectant look. . . . Sort of half-guilty expression. . . . His wife says they wouldn't dare to cut Joe's salary. . . . There's a good grin for a rainy Sunday. . . . What worries Joe isn't a cut. He's afraid they'll fire him complete. . . . Think of a man who won't feel safe until he gets a corner clipped off his monthly check. . . . Life's a funny proposition.

We got something worse in this country than Prohibition. It's Inhibition. . . . I'll tell that one at lunch.

I wish I was in a lumber camp. . . .

How do you get a job in a lumber camp? . . . I'd like to cut down a tree; I'd like to cut down a million trees. . . . Get rid of this pent-up sensation.

Sometimes I'd like to go to a hotel and hire a room just for screaming purposes. . . . I'd go in, lock the door and then walk up and down and screech. Of course I couldn't really do that. It would be womanish. . . . People don't realize that men can use a good dose of hysterics themselves once in a while. . . . They would say I was nuts. . . . As if the whole world ain't goofed.

Think of more pickles being sold this year than last. . . . That's what an ad says. . . . More pickles. . . . Why? . . . And a bed-spread outfit up in Maine in a panic because they can't turn out enough bed-spreads. . . . Figure that one out. . . . Then what's the matter with our company? I would like to kick over my desk, put on my hat and walk out. Or spend a bunch of our surplus and start something. . . . Every idea we have is the wrong thing. . . . Dammit! What I think is if we would do the wrong thing and do it big enough it would probably turn out to be the right thing. . . . What business needs is a little adventure put back into it.

I wish the Old Man would stop strangling the inventory. . . . We haven't got enough inventory to fill a dog-house. . . . Every time we lose an order we think we make money. . . . Why don't we make up some stuff and then go sell it? Ain't we a factory? . . . What are we saving all our dough for? . . . Are we trying to compete with the banks? . . . I don't want to work in a bank. . . . I wonder what a guy like me would do in Russia. . . .

EPILOGUE

Time: Evening

Scene: Home

Wife: Hello, dearie. What do you think?

Citizen: Huh?

Wife: The stray cat we adopted has kittens.

Citizen: I wish I could have kittens.

Wife: You're drunk.

Citizen: Don't be foolish.

Wife: What's happened?

Citizen: Ha! That's it. NOTHING has happened. Absolutely NOTHING.

J.W.D.

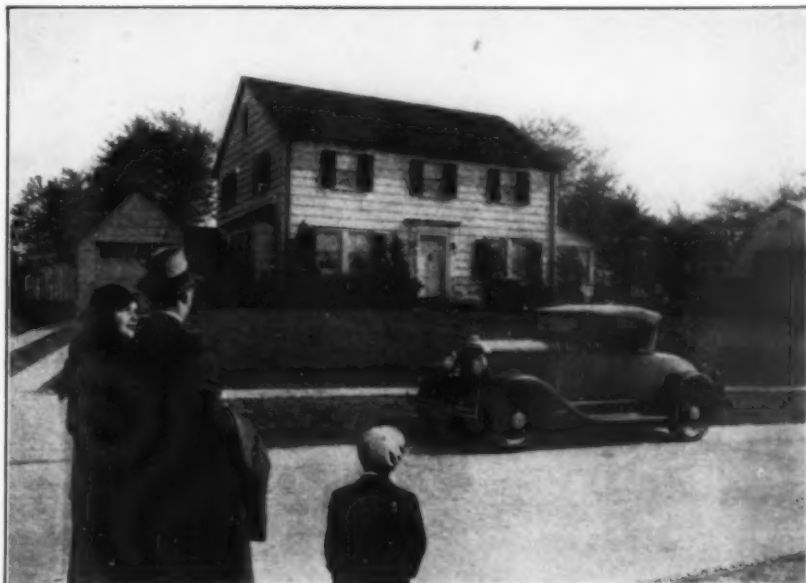
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THE BUSINESS WEEK

The Journal of Business News and Interpretation

November 4, 1931

Home Work

THE Hoover-Laval conversations were well worth while. It is a good thing for people with perplexing problems, especially statesmen who rarely see and still more rarely understand each other, to talk them over. No doubt the conference has made it clearer to both what each is up against, although the public does not know much more about it than it did before.

But it is clear that any action that may be the outcome of this conference will be long delayed. Necessary and inevitable as they may be, negotiations over war debts, conferences on security, on currency and exchange stabilization, and on the reestablishment of some sort of gold standard will take time and encounter political difficulties in each country.

We in America need not and should not wait until all these tangled problems are straightened out before setting our own house in order. Effective international cooperation is a task for the future. In the end all our efforts in this direction may prove unnecessary, for the accelerating trend toward intensified nationalism is not so unsound as it seems on the surface.

Anyway, in the meantime we must live as best we can by our own efforts and on our own resources. Unless we deal with our domestic problems successfully we shall not be able to help the world very much.

Our most important and pressing problem is the strengthening of our banking system so that it may better serve the needs of American business and assure the security and effective use of the savings of our people. Incidentally this problem is of supreme importance to the rest of the world, for the most that we can do for them, and what they most want, is for us to lend them more money. But before we can do this we must lend ourselves some, find a way to put our financial resources to work and expand domestic credit so as to restore the normal values and relationships of goods and services.

This is the immediate task that confronts us, and there is none more vital to the recovery and future prosperity of American business. Every other issue that now agitates the public is subordinate to that of reconstructing and improving our banking and credit system, and almost every one is in some way a part of that problem.

As soon as we make a fair start on this task the effect upon our economic life will be electrical, and astonishing to those who are still unaware of its far-reaching influence. This question of credit control is the hardest nut that capitalism has to crack. When we come to the kernel of it the consequences for the standard of living of future generations will be incalculable.

The potentialities of prosperity in a country so completely equipped with raw material and energy resources as the United States have barely been scratched, but they will never be realized until these resources are supplemented and implemented by a banking system sufficiently strong and flexible to furnish the credit energy required to carry the results of our unlimited productive power into consumption.

The promise of American life lies in two things more than any other: our power system and our banking system. The development of these two dynamic forces will determine our destiny.

These things are said in order to indicate why *The Business Week* has devoted and will devote so much editorial attention to the crucial questions of banking structure and credit policy which have been precipitated by this depression and which will come up for continuous consideration during the next few years.

This is the home-work which the school of recent experience has assigned American business; and unless we can pass the inevitable examination in it, we shall fail in everything else.

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